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ABSTRACT

A historical perspective on the organization and administration of the National Direct Student Loan (NDSL) Program is reported in this study, particularly as it relates to persisting concerns about the default rate. Chapter 1 explains the origin, purpose, and provisions of the program. Chapter 2 provides an overview of the study, including both the data collection and analysis plans. In Chapter 3 focus is on institutional organization for NDSL (such as centralization and specific functions, billing and collection, data processing, and staff training), and Chapter 4 deals with NDSL recipient selection and packaging patterns. Institutional perceptions of problems (in selection and administration) in the award of NDSL funds are explored in Chapter 5 and the exit interview (with graduates and dropouts) is described in Chapter 6. NDSL billing and collection procedures (administrative options, teacher cancellation provisions, educational deferments, collection agencies, administrative actions against defaulters, and write-off preferences) are reviewed in Chapter 7. Chapter 8 deals with such billing and collection problems as administration of cancellation, deferment, and truth-in-lending provisions; preparing fiscal operations reports; and maintaining contact with borrowers. Relationships between administrative practices and annual institutional NDSL default rates are examined in Chapter 9. (BD)

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A RETROSPECTIVE DESCRIPTION OF THE NATIONAL DIRECT STUDENT LOAN PROGRAM

Administrative Practices and Institutional Default Rates in 1972-73

October 1978

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NATIONAL INSTITUTE OF EDUCATION

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This study was initiated as Project No. 1243-12 with the Office of Program Planning, Budgeting and Evaluation, U.S. Office of Education. It was completed by Educational Testing Service (ETS) after expiration of the contract, to provide a historical perspective on the organization and administration of the NDSL Program, particularly as it may relate to persisting concerns about the NDSL default rate. Due to the passage of time between data collection and publication, the results reported herein are not intended to reflect administrative practices or default rates for other than the 1972-73 academic year.

The views expressed in this report do not necessarily represent those of the U.S. Office of Education or of ETS.

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CHAPTER 1

NATIONAL DIRECT STUDENT LOAN PROGRAM

Origin and Purpose of NDSL

The National Direct Student Loan (NDSL) Program was established under Title II of the National Defense Education Act of 1958 (Public Law 85-864) with an initial appropriation in 1959 of about $39 million. Since that time, it has grown almost tenfold to a program involving annual appropriations of over $300 million and advances to 831,000 students, amounting to $581.5 million in 1977-78.

As established in 1958, the NDSL Program was scheduled to terminate on June 30, 1966. However, Public Law 88-210, enacted in December 1963, extended the program for one additional year and Public Law 88-665, enacted in October 1964, extended it to June 30, 1972.[1] The life of the program was subsequently extended by the Education Amendments of 1972 and 1976.

The purpose of the NDSL Program is to assist in the establishment and maintenance of low-interest, long-term, deferred loan programs at institutions of postsecondary education for students demonstrating need for financial assistance to pursue their studies.[2]

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[1] National Defense Student Loan Program 1967 Manual of Policies and Procedures. Washington: Office of Education, Department of Health, Education, and Welfare, pp. 10101-10104.

[2] Student Financial Aid 1977-78 Handbook. Washington: U.S. Department of Health, Education, and Welfare, Office of Education, Bureau of Student Financial Assistance, p. 8-1.

Overview of Provisions of the NDSL Program

Each year, institutions apply to the U.S. Office of Education (USOE) for NDSL funds. Institutions indicate on their applications the expected number of enrolled students eligible for loans, the anticipated average loan, cash carry-over for relending, receivables, delinquency rates, and related information. Ninety percent of the appropriated NDSL funds are allotted to states so that each state receives a share of funds that is in proportion to its share of the national full-time enrollment in institutions of higher education. The remaining 10 percent may be reallocated among states by the U.S. Commissioner of Education. Institutional applications are reviewed by regional panels, which recommend an NDSL amount for each institution. The actual allotment to each institution is its pro rata share, based on recommended amounts, of the state allotment.

Institutions are required to match the Federal Capital Contribution for NDSL funds on a 9:1 basis.[3] In turn, institutions select students to receive National Direct Student Loans on the basis of their relative need for assistance. To be eligible, a student must apply to the institution for an NDSL, and

1. be a national of the United States;
2. be accepted for enrollment as at least a half-time student;
3. demonstrate financial need;

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[3]"Developing institutions" and institutions unable to meet the matching requirements may borrow funds from the government for this purpose.

4. not be a member of a religious community, society, or order who, by direction of his or her community, society, or order, is pursuing a course of study in an institution and who receives support and maintenance from the community, society, or order.

Students may borrow up to $10,000 in NDSL in total for undergraduate and graduate study, and up to $5,000 prior to entering graduate or professional school, or up to $2,500 for the first two academic years of study.

NDSLs carry a simple 3 percent interest rate. Repayment begins after a nine-month grace period following termination of at least half-time studies, not to exceed a ten-year period.

CHAPTER 2

OVERVIEW OF THE STUDY

This study was undertaken because the administration of the NDSL Program, since its inception, had not been evaluated in a comprehensive sense. The study is intended to describe and evaluate seven multifaceted aspects of the NDSL Program as it was administered by institutions in 1972-73:

- organization of institutional financial aid offices in relation to administration of the program
- packaging procedures for awarding NDSLs to students
- institutional perceptions of problems in the award of NDSL funds to students
- the exit interview
- NDSL billing and collection procedures
- problems in billing and collection of NDSLs
- relationships between administrative practices and annual institutional NDSL default rates

A number of significant changes have occurred since 1972-73 that have changed the financial aid landscape markedly. The development of the Basic Educational Opportunity Grant (BEOG) Program, which went into operation in 1972-73 for awards in 1973-74, the expansion of the Guaranteed Student Loan Program, and the Education Amendments of 1972 and 1976 have modified the mix of available aid and, in many cases, institutional packaging practices. Moreover, some changes in NDSL administrative practices have likely occurred since 1972-73 as a result of efforts in the intervening period by the U.S. Office of Education and

Congress to strengthen the program. The findings reported here are applicable only to the 1972-73 year and the reader is cautioned against inferring that these results are necessarily valid today.

Data Collection

Two survey questionnaires were developed: Form I -- Questionnaire for Institutional Representatives, Financial Aid Administrators; and Form II -- Questionnaire for Institutional Fiscal Officers.[4] Form I was divided into five sections: general information about the organization of the financial aid office; information about office staffing levels; selection of NDSL recipients; evaluation of the NDSL Program; and case studies (3) in procedures institutions use to package financial aid.

The questionnaire for institutional fiscal officers contained sections on the exit interview, NDSL billing and collection procedures, and identification of problem areas in fiscal administration of the NDSL Program.

The questionnaires were mailed in the fall of 1972 to approximately 2,150 institutions of higher education that participated in the NDSL Program, and follow-up mailings were made in the winter of 1973. In total, 1,457 financial aid officers responded to Form I, for a response rate of about 67 percent, and 1,517 fiscal officers returned questionnaires, for a response rate of about 70 percent.

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[4]See Appendix A for a copy of Form I and Appendix B for a copy of Form II.

Frequency and percentage distributions of respondents, by type and control of institution, appear in Table 2.1.

TABLE 2.1 DISTRIBUTION OF RESPONDENTS BY TYPE OF INSTITUTION

	Form I		Form II	
	N	Percent	N	Percent
All Institutions	1457	100.0	1517	100.0
Universities	421	28.9	444	29.3
Public	223	15.3	238	15.7
Private	198	13.6	206	13.6
Four-Year Institutions	554	38.0	598	39.4
Public	102	7.0	108	7.1
Private	452	31.0	490	32.3
Two-Year Institutions	482	33.1	468	30.9
Public	324	22.2	309	20.4
Private	158	10.8	159	10.5

Analysis Plan

The general analysis plan involved cross-tabulating item responses by type of institution. In addition, two special analyses of delinquency or default rates were performed. The first analysis classified institutions into three groups by delinquency rate. Those institutions whose delinquency rates were in the top quarter (75th percentile or above) were classified as high default rate schools; those in the middle 50 percent (25th to 50th percentile) were classified as intermediate default rate schools; and those in the bottom quartile were classified as low default

rate schools. Responses to selected items dealing with billing and collection practices were tabulated by default classification. Results of these analyses are presented in Chapter 9.

The second special analysis of default rates involved regressing selected administrative practices on default rates, in an effort to assess the partial "effects" of administrative practices. Results of the stepwise regression analysis are also presented in Chapter 9.

Readers interested in an overview of the major findings of the study may wish to refer to Chapter 10 before examining the detailed results presented in Chapters 3 through 9.

CHAPTER 3

INSTITUTIONAL ORGANIZATION FOR NDSL

To obtain a general framework within which to consider the various specific administrative procedures, collection activities, and opinions about the National Defense Student Loan Program, the ETS survey instruments asked questions about institutional organization for administration of the program. This chapter describes the reported organizational patterns.

Centralization and Specific Functions

One of the recommendations the Office of Education makes to institutions participating in its programs is that the administration of financial assistance programs be coordinated by a single office. This assures that the individual needs of students are met in the most effective, economical, and controlled way.

Within the sample of institutions participating in this study, the suggestion for centralization appears to have been generally accepted. In response to the question, "Is the administration of federal student financial aid programs centralized in one office at your institution," 95.6 percent of the respondents answered affirmatively. The highest percentages of institutions with centralized offices for administering the federal programs were in the public universities and four-year institutions. The private universities and private four-year institutions were less likely to have centralized operations. Only among the two-year institutions were the private schools more likely to have a centralized

operation than the public institutions. The following table shows the distribution of responses to the question on centralization.

TABLE 3.1 CENTRALIZED ADMINISTRATION OF FEDERAL STUDENT FINANCIAL AID PROGRAMS BY INSTITUTIONAL TYPE

	Centralized Administration		
Institutional Type	Yes	No	No Response
All Institutions	95.6%	4.3%	.1%
Universities			
Public	99.1	.9	--
Private	91.9	8.1	--
Four-Year Institutions			
Public	98.0	2.0	--
Private	94.5	5.3	.2
Two-Year Institutions			
Public	95.7	4.3	--
Private	96.8	2.5	.6

In the offices that were not completely centralized, the administration of the College Work-Study Program (CWSP) was most likely not to be included. Twenty-four institutions (1.6 percent of the total respondent group) indicated that CWSP administration was not included as a function of the office administering the NDSL Program. Only ten institutions (.7 percent of the respondents) indicated that the administration of the (Supplemental) Educational Opportunity Grant (EOG) Program was not a function of the office responsible for administering

NDSL. Within the different institutional types, the number of institutions that reported exclusion of (S)EOG or CWSP from the centralized administration was too small to demonstrate any particular pattern.

About six out of ten of the responding institutions indicated that the office that administered the NDSL Program "regularly performs other work in addition to administering financial aid." The public universities were the least likely to assign other work to their financial aid offices, with only 30.9 percent reporting regular discharge of nonaid work. The private two-year institutions were most likely to have other work in the financial aid office. Within each general institutional type, the private institutions were more likely to have the financial aid office administering other work than were the public institutions (see Table 3.2).

TABLE 3.2 REGULAR PERFORMANCE OF OTHER WORK IN ADDITION TO FINANCIAL AID

	Other Regular Work		
Institutional Type	Yes	No	No Response
All Institutions	59.3%	40.2%	.5%
Universities			
Public	30.9	69.1	--
Private	45.5	53.5	1.0
Four-Year Institutions			
Public	53.9	46.1	--
Private	59.5	40.0	.5
Two-Year Institutions			
Public	75.9	23.5	.6
Private	85.4	13.3	1.3

NDSL Billing and Collection

In most instances, the office responsible for selecting NDSL recipients was not responsible for other functions in connection with the program. Slightly more than one-third of the respondent group indicated they were also responsible for issuing loan checks to students, about one-quarter were also responsible for NDSL billing and collection, and slightly less than one-quarter handled NDSL accounting. The public universities were least likely to assign other NDSL administrative functions to the office responsible for selection; the private two-year institutions were most likely to have combined administrative functions.

TABLE 3.3 OTHER NDSL ADMINISTRATIVE FUNCTIONS ASSIGNED TO THE OFFICE RESPONSIBLE FOR SELECTION OF RECIPIENTS

Institutional Type	Selection Office Responsible For		
	Issuing Checks	Billing & Collection	Accounting
All Institutions	37.1%	26.0%	24.0%
Universities			
Public	29.2	18.8	15.7
Private	29.3	21.7	20.7
Four-Year Institutions			
Public	41.2	25.5	26.5
Private	34.5	28.5	25.9
Two-Year Institutions			
Public	39.2	22.6	17.6
Private	58.9	41.8	45.6

About 60 percent of the respondents indicated that they utilized a quarterly billing cycle for borrowers who had left their institutions. The incidence of quarterly billing was highest in the private universities and four-year institutions, where it was used by 64.1 and 68.4 percent, respectively. In the two-year private institutions, only 45.3 percent billed quarterly.

The next most common billing cycle was monthly, used by 20.2 percent of all institutions. Bimonthly billing was used by less than 1 percent of all institutions, and only in the two-year public and private groups did more than 1 percent of the respondents use this cycle.

TABLE 3.4 FREQUENCY OF BILLING CYCLE

	Frequency of Billing Cycle				
Institutional Type	Monthly	Bimonthly	Quarterly	Other	No Response
All Institutions	20.2%	9%	59.6%	8.2%	11.2%
Universities					
Public	24.8	.4	53.8	8.8	12.3
Private	19.9	--	64.1	6.8	9.2
Four-Year Institutions					
Public	17.7	.9	60.2	12.0	9.3
Private	15.7	.6	68.4	6.3	9.0
Two-Year Institutions					
Public	23.9	1.3	54.4	7.4	12.9
Private	22.6	2.5	45.3	12.6	17.0

Among those institutions where the selection and collection responsibilities were not assigned to the same office, only about half the respondents indicated that the amounts collected were systematically reported to the office responsible for selecting recipients. In all three institutional types, the public institutions were more likely to have collections systematically reported to the selecting office. Public universities were most likely to have such a procedure (nearly two-thirds responded yes), while private two-year institutions were least likely. The following table shows the responses to this item.

TABLE 3.5 SYSTEMATIC REPORTING OF NDSL COLLECTIONS TO OFFICE RESPONSIBLE FOR SELECTION OF RECIPIENTS*

	Systematic Reporting of Collections			
Institutional Type	Yes	No	Does Not Apply	No Response
All Institutions	51.6%	19.3%	7.2%	21.9%
Universities				
Public	62.3	15.3	4.5	17.9
Private	54.0	22.2	4.6	19.2
Four-Year Institutions				
Public	59.8	9.8	6.9	23.5
Private	44.0	25.0	7.5	23.5
Two-Year Institutions				
Public	55.3	19.1	8.9	16.7
Private	42.4	11.4	10.1	36.1

*The specific question was, "If your office is not responsible for NDSL collection, are the amounts collected reported systematically to your office?"

Eliminating the institutions that did not respond to the item (presumably those in which the collection and selection functions were the responsibility of the same office) and those that said the question did not apply (presumably those with some other arrangement to assure reporting), more than one-quarter of the respondents indicated that they did not have any procedure to routinely report collections to the office that selected recipients. The public universities and four-year institutions had the smallest percentage of respondents indicating no systematic reporting procedures; the private universities and four-year institutions had the highest percentages. Table 3.6 presents the responses to this item for all institutions but those that indicated the item did not apply.

TABLE 3.6 RESPONDENTS WITHOUT SYSTEMATIC REPORTING TO OFFICE RESPONSIBLE FOR SELECTION OF RECIPIENTS

Institutional Type	Percent with No Systematic Reporting
All Institutions	27.2
Universities	
Public	19.7
Private	29.2
Four-Year Institutions	
Public	14.1
Private	36.2
Two-Year Institutions	
Public	25.7
Private	21.2

Data Processing

Very few institutions (only slightly more than 11 percent) reported making extensive use of data processing equipment in 1972-73 in their financial aid operations for purposes other than billing and collection. Close to 60 percent said they did not use it at all. Among all institutional types, the public institutions were more likely to use data processing equipment than were the private. Private two-year institutions were the least likely to use data processing in their administration of financial aid. The following table describes the use of data processing equipment for financial aid operations in areas other than billing and collection.

TABLE 3.7 EXTENT OF USE OF DATA PROCESSING EQUIPMENT IN FINANCIAL AID OPERATIONS OTHER THAN BILLING AND COLLECTION

	Data Processing Use			
Institutional Type	Extensive	Some	None	No Response
All Institutions	11.4%	29.0%	59.4%	.2%
Universities				
Public	27.8	43.5	28.3	.4
Private	15.1	38.4	46.5	--
Four-Year Institutions				
Public	12.7	41.2	46.1	--
Private	6.9	22.6	70.6	--
Two-Year Institutions				
Public	6.8	27.5	65.4	.3
Private	5.1	10.1	83.5	1.3

A computer was used more for the generation of bills for NDSL borrowers than for other financial aid functions. While only 11 percent of all institutions reported extensive use of data processing in financial aid operations other than billing and collection, nearly half (47.2 percent) said computers were used in the generation of NDSL billings. Among all institutional groups, the private institutions were more likely than the public institutions to use computers for billing. The highest percentages of institutions using computers were in the private universities and private four-year institutions. The lowest percentage of computer use for billing was in the public two-year institutions.

TABLE 3.8 METHOD BY WHICH NDSL BILLS PREPARED

Institutional Type	How NDSL Bills Prepared		
	Manually	By Computer	No Response
All Institutions	48.0%	47.2%	4.8%
Universities			
Public	46.2	50.0	3.8
Private	35.6	62.0	2.4
Four-Year Institutions			
Public	62.0	35.2	2.8
Private	43.4	53.7	2.9
Two-Year Institutions			
Public	58.1	34.4	7.5
Private	50.9	37.1	11.9

Office Procedural Guidelines

The numbers of institutions with written procedural guidelines for various aspects of aid administration ranged from more than two-thirds that had written procedures for the clerical steps in processing financial aid applications, to about one in six with written procedures for reviewing applicants' qualifications (leadership, creativity, on so on). Slightly more than half had written procedures for reviewing need analysis and for packaging various types of aid; slightly less than half had procedures for reviewing applicants' academic credentials. Only 28.3 percent had written procedures on criteria for selecting NDSL recipients in addition to those in the NDSL manual. Table 3.9 shows the percent of respondents in each institutional type with written procedures in these various areas.

Staff Size, Training, and Adequacy

About three-quarters of all responding institutions had a full-time director of student financial aid programs (a single person who devoted nearly all of his or her time to administering aid programs). Public institutions reported a larger percentage of full-time directors than did the private institutions. The largest percentage was in the public universities, where 95.1 percent of the respondents had full-time aid directors. The smallest percentage was in the private two-year institutions, with only 44.9 percent having full-time aid directors. See Table 3.10.

TABLE 3.9 PERCENT OF RESPONDENTS WITH WRITTEN PROCEDURAL GUIDELINES

Type of Written Procedural Guidelines	Institutions Reporting Having Written Procedures						
	All Institutions	University		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Packaging various types of aid	51.3%	61.0%	49.0%	50.0%	50.2%	51.9%	43.7%
Clerical steps in processing financial aid applications	64.7	77.1	60.1	68.6	59.7	66.1	62.0
Reviewing need analysis	56.1	66.4	56.1	54.9	48.7	57.4	60.8
Reviewing applicants' academic credentials	46.0	51.1	47.5	46.1	45.6	39.8	50.6
Reviewing applicants' qualifications, such as leadership, creativity	18.8	18.8	23.7	10.8	12.6	11.1	22.8
Criteria for selecting NDSL recipients in addition to those in Manual	28.3	40.8	26.8	29.4	22.8	25.9	32.3

TABLE 3.10 INSTITUTIONS WITH FULL-TIME DIRECTORS OF STUDENT FINANCIAL AID PROGRAMS

All Institutions	73.4%
Universities	
Public	95.1
Private	77.3
Four-Year Institutions	
Public	87.3
Private	72.1
Two-Year Institutions	
Public	67.6
Private	44.9

Including the director (where appropriate), the average staff in financial aid offices included 1.8 full-time administrative (professional) staff persons during the period of the study. Public universities averaged 3.3 professional staff; private universities, 2.3; public four-year institutions, 1.6; private four-year institutions, 1.4; public two-year schools, 1.3; and private two-year schools 1.4. Table 3.11 shows the distribution of professional staff members for institutions in the different groups.

At most institutions, the mean experience level of the professional staff members in the financial aid office was about three years. The private universities and four-year institutions had the more experienced staffs, the private two-year institutions the least experienced.

TABLE 3.11 DISTRIBUTION OF PROFESSIONAL STAFF EXPERIENCE IN FINANCIAL AID ADMINISTRATION

	Percent of Staff with Years Experience					
Institutional Type	Under 1	1-2	2-3	3-4	4 or more	Mean
All Institutions	17.9%	16.8%	15.5%	14.8%	34.9%	3.0
Universities						
Public	18.4	18.2	15.9	16.9	30.6	2.9
Private	18.4	15.5	13.2	14.1	38.7	3.1
Four-Year Institutions						
Public	18.6	13.8	15.0	17.4	35.3	3.0
Private	16.4	15.2	15.4	13.3	39.7	3.1
Two-Year Institutions						
Public	16.8	16.6	15.9	15.1	35.6	3.0
Private	22.1	22.6	18.3	12.0	25.0	2.6

Not unexpectedly, very few of the respondents felt that either their professional or their clerical staff level was higher than it should have been. Only 1.6 percent of all institutions reported that they had more than adequate numbers of professional staff members, and only 1.2 percent said they had more than adequate clerical staff numbers. About one-third believed their professional and clerical staff complements were barely adequate, while 20.6 percent reported that their professional staff numbers were less than adequate and 29.4 percent that their clerical staff numbers were less than adequate.

Among all institutional types, the private institutions were more likely than the public to report that their staff numbers were adequate.

Tables 3.12 and 3.13 show the actual distributions of responses to the questions about adequacy of professional and clerical staffs.

TABLE 3.12 PERCEPTIONS OF ADEQUACY OF ADMINISTRATIVE (PROFESSIONAL) STAFF SIZE

Perception of Adequacy	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
More than adequate	1.6%	.5%	1.5%	--	1.6%	.9%	5.7%
Adequate	43.2	36.3	39.4	33.3	46.7	40.4	59.5
Barely adequate	33.8	33.6	43.4	30.4	33.6	34.3	32.4
Less than adequate	20.6	28.7	15.7	36.3	16.8	23.8	9.5
No response	.8	.9	--	--	1.3	.6	1.9

TABLE 3.13 PERCEPTIONS OF ADEQUACY OF SECRETARIAL AND CLERICAL STAFF SIZE

Perception of Adequacy	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
More than adequate	1.2%	.5%	1.0%	--	1.3%	.9%	3.2%
Adequate	35.0	20.6	34.9	21.6	39.4	33.3	55.1
Barely adequate	33.6	42.6	32.3	33.3	31.4	33.6	28.5
Less than adequate	29.4	35.4	31.3	45.1	26.3	32.1	12.0
No response	.8	.9	.5	--	1.6	--	1.3

While the respondents' perceptions of the adequacy of their professional staffs were related to staff size, there was not as much difference of viewpoint as might have been expected. Slightly more than four out of ten (42.6 percent) of those in offices with a single administrator believed that their professional staffing was at least adequate, but only slightly more than half (53.7 percent) of those in offices with more than four administrators said the same. Table 3.14 shows the perceived adequacy of professional (administrative) staffing by staff size.

TABLE 3.14 PERCEPTIONS OF ADEQUACY OF ADMINISTRATIVE (PROFESSIONAL) STAFF SIZE BY LEVEL OF STAFF, ALL INSTITUTIONS

	Number of Administrative Staff				
Perception of Adequacy	1	2	3	4	More than 4
More than adequate	1.4%	1.7%	1.7%	1.6%	--
Adequate	41.2	46.0	48.3	41.0	53.7
Barely adequate	33.8	33.8	35.3	41.0	26.9
Less than adequate	23.0	16.9	13.8	16.4	17.9
No response	.6	1.7	.8	--	1.5

The average number of staff members for billing and collection at all institutions was 2.36 full-time equivalent administrative and 1.77 full-time equivalent clerical staff. Public two-year institutions had the largest full-time equivalent staffing and private two-year institutions had the lowest. Only 21.4 percent of the administrative and 24.1 percent of the clerical staff had loan collection as their full-time

responsibility, however. About four out of ten of all administrative and clerical staff involved in loan collection devoted no more than one-quarter time to the process. Tables 3.15 and 3.16 show the assignment of clerical and administrative staff to NDSL billing and collection.

TABLE 3.15 CLERICAL STAFF COMPLEMENTS INVOLVED IN NDSL BILLING AND COLLECTION

	Clerical Staff Working on NDSL Billing and Collection Who Were				
Institutional Type	Full Time	Less Than Full But Over Half Time	Half Time	Quarter Time	Full-Time Equivalent
All Institutions	24.1%	18.5%	18.3%	39.0%	1.77
Universities					
Public	35.2	20.4	18.4	25.0	1.10
Private	25.6	18.9	15.0	40.5	1.70
Four-Year Institutions					
Public	30.1	19.3	21.7	28.9	1.89
Private	20.2	19.9	19.3	40.5	2.75
Two-Year Institutions					
Public	18.5	14.7	16.4	50.4	2.95
Private	18.2	15.5	18.2	48.1	1.05

TABLE 3.16 ADMINISTRATIVE STAFF COMPLEMENTS INVOLVED IN NDSL BILLING AND COLLECTION

Institutional Type	Administrative Staff Working on NDSL Billing and Collection Who Were: Full Time	Less Than Full But Over Half Time	Half Time	Quarter Time	Full-Time Equivalent
All Institutions	21.4%	17.5%	17.2%	43.8%	2.36
Universities					
Public	28.2	21.6	18.9	31.3	2.16
Private	23.3	17.0	15.0	44.7	2.16
Four-Year Institutions					
Public	26.6	13.9	16.5	43.0	2.36
Private	19.5	19.0	18.0	43.5	2.88
Two-Year Institutions					
Public	16.9	14.3	17.2	51.6	3.69
Private	18.2	15.5	16.6	49.7	1.30

As tables 3.17 and 3.18 show, nearly half the institutions (46.6 percent) thought the level of clerical staffing for NDSL billing and collection was at least adequate, and more than half (51.3 percent) thought the level of administrative staffing for these functions was at least adequate. This compares with 36.2 percent of the respondents (see Table 3.13) who believed clerical staffing in the financial aid office for dealing with NDSL selection was at least adequate and 44.8 percent (see Table 3.12) who thought the financial aid administrative staff levels

were at least adequate. It would seem that when scarce personnel resources had to be distributed they were more likely to go to collection than to selection.

TABLE 3.17 PERCEPTIONS OF ADEQUACY OF ADMINISTRATIVE (PROFESSIONAL) STAFF SIZE FOR BILLING AND COLLECTION

Perception of Adequacy	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
More than adequate	4.2%	2.9%	1.5%	3.7%	3.1%	4.2%	13.8%
Adequate	47.1	39.5	56.3	38.0	51.2	42.7	49.1
Barely adequate	24.0	26.9	23.8	31.5	26.7	19.4	15.1
Less than adequate	14.0	21.0	10.2	21.3	10.8	18.8	3.8
No response	10.6	9.7	8.3	5.6	8.2	14.9	18.2

TABLE 3.18 PERCEPTIONS OF ADEQUACY OF CLERICAL STAFF SIZE FOR BILLING AND COLLECTION

Perception of Adequacy	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Privte
More than adequate	4.0%	2.1%	2.9%	2.8%	3.1%	3.9%	12.6%
Adequate	42.6	29.8	51.0	26.9	47.0	43.7	45.9
Barely adequate	26.1	37.0	26.7	35.2	25.6	20.7	13.8
Less than adequate	17.6	24.4	13.6	30.6	16.0	19.7	5.0
No response	9.8	6.7	5.8	4.6	8.4	12.0	22.6

Training

The most commonly reported training for the respondents was attendance at financial aid workshops sponsored by the American College Testing Program (ACT), the College Scholarship Service (CSS), the Office of Education (OE), or some other organization. Across institutional types, more than nine out of ten of the respondents had attended such workshops. The next most commonly reported training was attendance at an Office of Education tripartite application workshop. Graduate or undergraduate course work in business administration was reported by slightly more than half, graduate courses in counseling by slightly less than half, and graduate courses in student financial aid administration by the smallest number. Table 3.19 shows the percentages of respondents reporting having participated in the different types of training.

TABLE 3.19 PERCENT OF RESPONDENTS WITH PARTICULAR TYPES OF TRAINING

Type of Training	Universities		Four-Year		Two-Year	
	Public	Private	Public	Private	Public	Private
Graduate courses in student financial aid administration	13.0	8.6	18.6	13.5	21.0	5.7
Attendance at an OE tripartite application workshop	91.9	84.3	83.3	84.1	85.8	78.5
Attendance at a financial aid workshop sponsored by ACT, CSS, OE, or other organization	97.8	94.4	93.1	93.1	95.4	93.7
Graduate courses in counseling	61.4	44.4	63.7	36.1	68.2	32.3
Course work, under graduate or graduate in business admin.	62.8	50.5	55.9	50.7	48.5	48.7

CHAPTER 4

NDSL RECIPIENT SELECTION AND PACKAGING PATTERNS

The primary and most essential condition of an applicant's eligibility for a National Direct Student Loan is that he or she is in need of the requested loan to pursue a course of study during the period for which the application is made.

Financial need is the relative difference between the expenses associated with college or postsecondary school attendance and the ability of the family to contribute toward those expenses from its income and assets.

Need Analysis Systems Used

At the time of the study, OE-approved need analysis systems included those published and operated by the American College Testing Program and the College Scholarship Service. Other acceptable systems were the income tax method and the OE Alternate Method.[1]

Financial aid administrators were asked which system of need analysis they used in 1972-73 to determine students' needs for NDSLs. Overall, two out of three institutions reported they used the CSS system, two in ten used ACT, and about one in ten reported using either the income tax method or the OE Alternate Method (see Table 4.1).

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[1]Since the study was conducted, other need analysis systems have been approved -- notably the Graduate and Professional School Financial Aid Service and the Basic Grant system.

TABLE 4.1 NEED ANALYSIS SYSTEMS USED TO ASSESS STUDENTS' NEEDS

Institutional Type	ACT	CSS	Income Tax	OE Alternate Method	Own Method	No Response
All Institutions	18.1%	66.6%	4.4%	3.0%	3.1%	4.8%
Universities						
Public	21.1	65.9	3.1	3.6	2.7	3.6
Private	3.5	86.4	2.0	1.0	5.6	1.5
Four-Year Institutions						
Public	22.6	63.7	6.9	3.9	1.0	2.0
Private	11.7	79.4	1.1	.6	1.5	5.5
Two-Year Institutions						
Public	29.6	46.0	8.9	5.9	4.3	5.3
Private	24.1	50.6	7.6	4.4	3.8	9.5

Selection of NDSL Recipients

Responsibility for deciding which students were to be awarded NDSLs appears, in the main, to have rested with a single individual at each institution. When asked, "Does more than one member of the administration or faculty approve each NDSL application before a loan commitment is made?" 56.4 percent of the aid officers responded negatively (see Table 4.2).

Because institutions often receive insufficient NDSL allocations to meet the needs of all eligible students, items were included in the questionnaire for financial aid administrators to determine which subgroups of students received priority in the award of NDSLs. Aid

TABLE 4.2 DOES MORE THAN ONE MEMBER OF THE ADMINISTRATION OR FACULTY APPROVE EACH NDSL APPLICATION BEFORE A LOAN COMMITMENT IS MADE?

Institutional Type	Yes, for Almost All Cases	Yes, for Complicated Cases	No	No Response
All Institutions	22.6%	20.8%	56.4%	0.2%
Universities				
Public	22.0	31.4	45.7	1.0
Private	25.3	19.7	55.1	--
Four-Year Institutions				
Public	13.7	27.5	58.8	--
Private	25.2	17.9	56.6	0.2
Two-Year Institutions				
Public	15.7	16.4	67.6	0.3
Private	32.3	20.3	47.5	--

administrators were asked to rank order the top four student subgroups, from a list of eleven, in order of award preference (1 = first preference, 2 = second preference, 3 = third preference, and 4 = fourth preference). Blanks, indicating no preference, were scored as "5." Mean institutional preferences were then computed by institutional type. The results of this analysis are presented in Table 4.3.

Of the eleven student subgroups presented to aid administrators, only three emerged as preference groups. It appears, on the average, that the neediest students received first preference in award of NDSLs,

TABLE 4.3 MEAN INSTITUTIONAL PREFERENCE RANKINGS OF STUDENT SUBGROUPS TO RECEIVE NDSLS, BY TYPE OF INSTITUTION

Student Subgroup	All Institutions	Universities		Four-Year Institutions		Two-Year Institutions	
		Public	Private	Public	Private	Public	Private
Entering freshmen	3.9	4.0	3.7	3.9	3.8	4.1	3.7
Renewal upperclass	2.6	2.6	2.4	2.5	2.4	2.8	3.4
First-time upperclass	4.5	4.5	4.4	4.5	4.5	4.6	4.5
Better than average students (academically)	4.6	4.6	4.7	4.7	4.6	4.5	4.4
Prospective teachers	4.6	4.7	4.6	4.8	4.5	4.6	4.7
Men	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Women	4.9	4.9	4.9	4.9	4.8	4.9	4.8
Neediest students	2.0	1.9	2.2	1.7	1.8	2.2	1.8
Minority students	4.2	4.4	4.1	4.4	4.1	4.3	4.0
Needy students who did not qualify for other aid	3.4	3.5	3.6	3.4	3.5	3.1	3.2
State or local residents	4.8	4.8	4.9	4.9	4.8	4.7	4.9

followed by renewal students, and then by needy students who did not qualify for other forms of aid.

To gauge minority participation in the NDSL Program in 1972-73, aid administrators were asked if more than half of their minority financial aid recipients received NDSLs as part of their packages. Overall, as seen in Table 4.4, about six in ten aid officers reported this was the case. Private institutions appeared to be more likely than public institutions to assign NDSLs to minority group students, a finding that may be attributable to the higher costs, and needs, at private institutions. A noteworthy exception to these generalizations is the finding that over 60 percent of the public two-year colleges did not have more than half of their minority aid recipient populations on NDSLs. This could conceivably reflect lower costs and/or differences in packaging philosophies.

TABLE 4.4 DO MORE THAN HALF OF THE MINORITY FINANCIAL AID RECIPIENTS AT THE INSTITUTION RECEIVE NDSLS AS PART OF THEIR PACKAGES?

Institutional Type	Yes	No	No Response
All Institutions	61.8%	34.5%	3.7%
Universities			
Public	62.8	33.6	3.6
Private	70.2	24.2	5.6
Four-Year Institutions			
Public	60.8	32.4	6.9
Private	76.8	20.6	2.7
Two-Year Institutions			
Public	34.6	61.4	4.0
Private	32.3	20.3	47.5

Case Studies in Packaging

To enable an investigation of the procedures used in 1972-73 by financial aid administrators in packaging aid for students, three case studies were included in the questionnaire. Aid officers were asked to review the cases and decide whether their institutions would offer some type of aid to each applicant and, for those who would normally be offered aid, the amount of NDSL, grant, and/or employment aid. The administrators were instructed to use the procedures and criteria they would normally apply to admissible prefreshmen aid candidates.

Pertinent academic and financial facts were provided for each of the three cases. The first case was intended to represent the "average" student, who, socioeconomically and academically, would not be considered especially advantaged nor disadvantaged. Compared with the other entering students, his or her ability and achievement were described as average. The parents' combined net income was given as $9,750 and there were three dependent children. The parents' contribution was estimated at $700, the student's contribution at $400, and the total family contribution at $1,100. In the descriptions that follow, this student will be described as average.

The second case was intended to represent a student who was "disadvantaged" both academically and socioeconomically. Compared with other entering freshmen, ability and achievement would place him or her in the bottom 25 percent. The parents' combined net income was given as $4,500 and there were three dependent children. The parents' contribution was estimated at zero, the student's contribution at $400,

and the total family contribution at $400. In the following descriptions, this student will be described as disadvantaged.

The final case presented a student who both academically and socio-economically was considered "advantaged." Ability and achievement would place him or her in the top 5 percent of the entering class as compared with other students, and the parents' combined income was estimated at $12,000. There were three dependent children. The parents' contribution was estimated at $1,120, the student's contribution at $400, and the total family contribution at $1,520. This student will be described as advantaged in the following discussions.

Table 4.5 shows the need analyses that were reported by the institutions for these three student cases. In all cases, the institutions were instructed to use the budgets and procedures they applied to the 1972-73 academic year.

The budgets reported were somewhat higher than might have been expected when compared with those reported by the College Scholarship Service for the 1972-73 academic year (Allen, J. B., and Suchar, E. W., Student Expenses at Postsecondary Institutions [New York: College Entrance Examinations Board] 1973, p. ix). The weighted average budget for all public universities and four-year institutions included in this study was $2,146, as compared with the $1,984 reported by the CSS as the average resident budget at these types of institutions. The weighted average budget for the private universities and four-year institutions in this study was $3,434, as compared with $3,279 reported by CSS for resident students at these institutions. The private two-year institutions in this study reported an average budget of $2,792 as compared

TABLE 4.5 AVERAGE NEED ANALYSIS, THREE SAMPLE CASES (1972-73 ACADEMIC YEAR BUDGET AND PROCEDURES)

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Average							
Budget	$2,703	$2,191	$3,768	$2,047	$3,273	$1,752	$2,792
Less Family Contribution	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Financial Need	$1,603	$1,091	$2,668	$ 947	$2,173	$ 652	$1,692
Disadvantaged							
Budget	$2,687	$2,194	$3,733	$2,034	$3,274	$1,740	$2,767
Less Family Contribution	400	400	400	400	400	400	400
Financial Need	$2,287	$1,794	$3,333	$1,634	$2,874	$1,340	$2,367
Advantaged							
Budget	$2,724	$2,200	$3,779	$2,044	$3,270	$1,818	$2,811
Less Family Contribution	1,520	1,520	1,520	1,520	1,520	1,520	1,520
Financial Need	$1,204	$ 680	$2,259	$ 524	$1,750	$ 298	$1,291

with a CSS resident student budget of $2,539 for the same institutional type. The public two-year institutions in this study reported $1,752 as compared with $1,637 reported by the CSS for commuters at public two-year institutions.

TABLE 4.6 BUDGET COMPARISONS, 1972-73 ACADEMIC YEAR

Public Universities and Four-Year Institutions	
NDSL study weighted average	$2,146
CSS resident average	1,984
CSS commuter average	1,758
Private Universities and Four-Year Institutions	
NDSL study weighted average	$3,424
CSS resident average	3,279
CSS commuter average	2,743
Public Two-Year Institutions	
NDSL study average	$1,752
CSS commuter average	1,637
Private Two-Year Institutions	
NDSL study average	$2,792
CSS resident average	2,539
CSS commuter average	2,088

As might be expected, almost every responding institution indicated it would offer assistance to the "disadvantaged" student, but most also indicated they would offer assistance to the "average" and "advantaged." The smallest percentage indicating aid offers to the advantaged student was at the two-year public institutions, where only slightly more than half would have offered any assistance; the next smallest percentage was at the private two-year institutions. The two-year public and private institutions also had the smallest percentages offering aid to the average student, 87.3 percent and 91.8 percent, respectively. There was little difference in the percentages of institutions reporting that they would offer some assistance to the disadvantaged student. Table 4.7 shows the percentages of institutions that would have offered aid to the three hypothetical students.

TABLE 4.7 INSTITUTIONS OFFERING ANY AID, 1972-73 ACADEMIC YEAR

Institutional Type	Percent Offering Aid to:		
	Average Case	Disadvantaged Case	Advantaged Case
All Institutions	94.1	97.4	81.7
Universities			
Public	96.8	98.7	85.2
Private	96.4	95.5	96.5
Four-Year Institutions			
Public	96.0	99.0	85.3
Private	96.9	97.1	96.5
Two-Year Institutions			
Public	87.3	98.5	52.5
Private	91.8	96.2	74.1

Tables 4.8-4.10 show the types of aid that would have been offered to the three different types of students. The disadvantaged student would have had the highest probability of receiving grant assistance, with 97.3 percent of all institutions reporting they would offer grants, and the lowest probability of receiving NDSL assistance (only 73.6 percent of all institutions indicated they would offer this student an NDSL). This probably reflects institutional intention to avoid offering loans to entering freshmen with marginal academic credentials, in order to minimize the risks of entering disadvantaged students.

The average student had the lowest probability of receiving grant assistance, with only 57.8 percent of all institutions indicating a grant offer; 88.5 percent of the institutions reported an offer of NDSL assistance. Slightly more than three-quarters of the institutions reported they would offer the average student a job.

The advantaged student would have been offered an NDSL by 62.2 percent of all institutions, a grant by 68.1 percent, and work by 51.9 percent. The smallest percentages of institutions offering the different types of aid to the advantaged student were at the two-year institutions, where, it should be remembered, financial need was lowest.

Only a few institutions would have offered loans from sources other than the NDSL fund to any of these students. In most cases there was only a slight difference between the percent of institutions that would have offered NDSL and the percent that would have offered any type of loan, indicating that the NDSL Program was the source to which most turned for the loan portion of the financial aid package. (This would not include the guaranteed loans available through sources outside the institutions, which were not included as a part of the packaging responses.)

TABLE 4.8 PERCENT OF INSTITUTIONS OFFERING DIFFERENT TYPES OF ASSISTANCE: ADVANTAGED STUDENT (1972-73 ACADEMIC YEAR)

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Percent That Would Offer Any Aid	81.7	85.2	96.5	85.3	96.5	52.5	74.1
Of Those That Would Offer Aid, Percent Offering							
NDSL	62.2	59.5	67.5	50.6	71.1	37.1	70.1
Any kind of loan	65.6	61.6	74.3	50.6	73.6	41.1	74.4
Grant	68.1	61.6	83.8	47.1	80.7	41.1	60.7
Work	51.9	28.4	63.4	40.2	62.6	34.1	65.8

TABLE 4.9 PERCENT OF INSTITUTIONS OFFERING DIFFERENT TYPES OF ASSISTANCE: AVERAGE STUDENT (1972-73 ACADEMIC YEAR)

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Percent That Would Offer Any Aid	94.1	96.8	96.4	96.0	96.9	87.3	91.8
Of Those That Would Offer Aid, Percent Offering							
NDSL	83.5	88.4	93.7	71.6	91.3	61.8	84.8
Any kind of loan	84.7	88.4	94.8	78.6	93.2	61.8	89.0
Grant	57.8	44.9	74.9	38.8	77.6	29.7	62.1
Work	75.7	56.5	84.3	67.3	88.4	67.1	77.2

TABLE 4.10 PERCENT OF INSTITUTIONS OFFERING DIFFERENT TYPES OF ASSISTANCE: DISADVANTAGED STUDENT (1972-73 ACADEMIC YEAR)

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Percent That Would Offer Any Aid	97.4	98.7	95.5	99.0	97.1	98.5	96.2
Of Those That Would Offer Aid, Percent Offering							
NDSL	73.3	72.3	88.9	72.3	87.5	39.8	84.9
Any kind of loan	73.6	74.1	89.9	72.3	87.5	39.8	85.5
Grant	97.3	97.7	98.4	99.0	99.1	96.9	89.5
Work	73.2	51.8	73.5	58.4	81.3	79.9	76.3

TABLE 4.11 AVERAGE LOAN OFFERS TO THREE THEORETICAL CASES: 1972-73 ACADEMIC YEAR

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Average NDSL Offer							
Average student	$677	$593	$869	$487	$781	$399	$707
Disadvantaged student	655	555	766	504	737	376	752
Advantaged student	606	471	736	426	641	416	698
Total Loan Offer							
Average student	689	608	892	487	793	402	709
Disadvantaged student	664	560	773	511	746	383	764
Advantaged student	617	495	751	457	653	395	691

In addition to a lower frequency of inclusion of NDSLs in the package of the disadvantaged student, for those who would have been offered loans the mean amount was generally smaller than what would have been given to the average student. At all institutions, the mean NDSL offer to the disadvantaged student would have been $655 as compared with $677 for the average student. The advantaged student would have received an even smaller amount, $606 on the average. Only at the four-year public and two-year private institutions would the mean NDSL offers to the disadvantaged been larger than those to the average student.

The average offer of any kind of loan to the three types of students would have been only slightly larger than the NDSL offer, indicating that the institutions were not adding significant amounts of borrowing from sources other than the NDSL Program to any of their packages.

Table 4.11 shows the mean amount of NDSL and total loans that would have been offered by the different institutional types to the three kinds of students.

There were considerably larger variations in the mean amounts of grant assistance that would have been offered to all three kinds of students by the different types of institutions than was evident in the loan offers. The private institutions, with their substantially higher mean costs, apparently made up for that difference through inclusion of significantly higher grant offers. Where the public university would have offered the average student a $427 grant, the private university would have offered the same student $1,140; the public four-year institutions would have offered $352 in grant and the private four-year $873; and the public two-year would have offered $261 compared with $548 at the private two-year institutions.

The disadvantaged student would have received even larger grant amounts than the average student, with the difference between public and private institutions remaining substantial. At the public universities, the disadvantaged student would have received more than twice the amount of grant assistance as the average student -- $1,045 compared with $2,054; at the private universities, $2,054 compared with $1,140.

While the incidence of offers of grant assistance to the advantaged student was lower than for the average student, the amounts that would have been offered were not significantly different. At all institutions, the advantaged student offered a grant would have been offered slightly more than the average student, $760 compared with $740.

Table 4.12 compares the mean amounts of grant assistance institutions reported they would offer the three kinds of students.

The average amount that would have been offered in term-time employment was generally consistent for each type of student at each type of institution. It appears that if employment assistance were offered as a part of the package, it would have been in an amount related more to the student's probable ability to earn than to his or her total financial need. The mean employment offer for the average student at all institutions that included employment in the package was $544, for the disadvantaged student $564, and the for advantaged $499. The disadvantaged student was expected to earn the largest amount through employment, and it is not likely that this amount would be a function of higher pay; rather, it appears that the disadvantaged would more likely have been expected to work longer hours to make up the difference.

Table 4.13 presents the mean amounts of work that would have been offered as part of the hypothetical financial aid packages.

TABLE 4.12 AVERAGE GRANT OFFERS

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Average Student	$ 740	$ 427	$1,140	$ 352	$ 873	$ 261	$ 548
Disadvantaged Student	1,291	1,045	2,054	897	1,647	714	1,093
Advantaged Student	760	421	1,189	315	901	229	427

TABLE 4.13 AVERAGE EMPLOYMENT OFFERS

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Average Student	$ 544	$ 577	$ 635	$ 525	$ 519	$ 515	$ 528
Disadvantaged Student	564	610	654	495	515	568	589
Advantaged Student	499	531	569	443	469	459	526

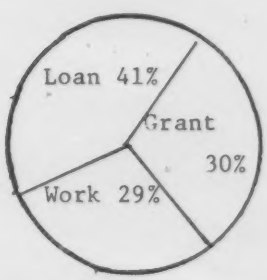
The total assistance that would have been offered to the students in the three sample cases varied according to their need, with the disadvantaged student being offered an average of $2,158 at all institutions, the average student $1,423, and the advantaged student $1,182. The highest mean offer, $3,197, would have been to the disadvantaged student attending a private university. The lowest mean offer, $413, would have gone to the advantaged student at a public two-year institution.

In general, the institutions did not report offers that would have met the total need of any of the students, although the advantaged student came the closest. Across all institutions, the aid as percent of need was 98.2 percent for the advantaged, 94.3 percent for the disadvantaged, and 88.8 percent for the average student. While this gap as measured by percentage points may seem small, the actual dollar amounts were considerable. The largest absolute dollar gap was for the average student attending the private university, where aid offered was $434 less than financial need. For the disadvantaged student with no family resources available for extra support, the gap between need and offer ranged from $286 at the private two-year institutions to $42 at the public universities.

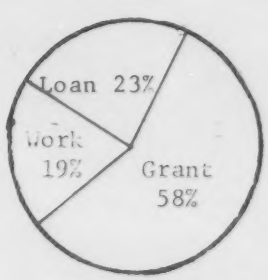
In some instances, the aid that would have been offered exceeded the need reported. This is probably due to the practice of including work-study employment in the offer at a gross amount before deductions. The aid offers anticipated that the required state and federal deductions from income would reduce the effective income to the student to a level within the measured financial need.

Table 4.14 shows the total aid that would have been offered, aid as a percent of financial need, and remaining need gap for the three types of students at the different institutions.

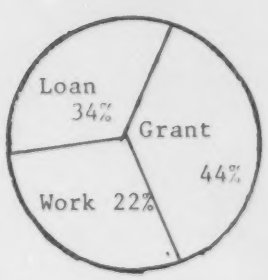
The following charts show the percentages of loans, grants, and work that would have made up the total packages of the three types of students at the institutions in the sample. Because the NDSL amount represented nearly all assistance offered, it is not shown separately. The disadvantaged student would have received the largest percentage of grant assistance, the average student the least. The package for the average student was nearly balanced, with one-third coming from each source; the package for the disadvantaged student was heavily weighted with grant aid; and that for the advantaged student included a significant portion of grant aid.



Average Student Financial Aid Package at All Institutions



Disadvantaged Student Financial Aid Package at All Institutions



Advantaged Student Financial Aid Package at All Institutions

TABLE 4.14 TOTAL AID OFFERED RELATED TO FINANCIAL NEED

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Total Aid Offered							
Average student	$1,423	$1,056	$2,234	$ 873	$1,876	$ 671	$1,378
Disadvantaged student	2,158	1,752	3,197	1,546	2,703	1,296	2,081
Advantaged student	1,182	715	1,914	557	1,502	413	1,119
Percent of Need Met							
Average student	88.8%	96.7%	83.7%	92.2%	86.3%	103.0%	81.4%
Disadvantaged student	94.3	97.7	95.9	94.6	94.1	96.7	87.9
Advantaged student	98.2	105.1	84.7	106.3	85.8	138.6	86.7
Unmet Need							
Average student	$ 180	$ 35	$ 434	$ 74	$ 297	$ 53*	$ 314
Disadvantaged student	129	42	136	88	171	44	286
Advantaged student	32	35*	345	33*	248	115*	172

*signs indicate mean awards in excess of financial need.

Table 4.15 shows the composition of the total package at all types of institutions.

Considerable differences existed among types of institutions in the composition of the hypothetical financial aid packages that would have been offered in 1972-73 to students from different social and economic backgrounds.

TABLE 4.15 DIFFERENT TYPES OF FINANCIAL AID AS PERCENTAGES OF TOTAL OFFER

	All Institutions	Universities		Four-Year		Two-Year	
		Public	Private	Public	Private	Public	Private
Average Student							
NDSL	39.7%	49.7	36.4	43.9	38.0	36.8	43.5
All loans	41.0	51.0	37.8	49.3	39.4	37.1	45.7
Grants	30.0	18.1	38.2	15.6	36.1	11.5	24.7
Work	29.0	30.9	23.9	40.5	24.5	51.4	29.6
Disadvantaged Student							
NDSL	22.2	22.9	21.3	23.5	23.9	11.6	30.7
All loans	22.7	23.7	21.7	23.9	24.1	11.6	31.4
Grants	58.2	58.3	63.2	57.4	60.4	53.4	47.0
Work	19.1	18.0	15.1	18.7	15.5	35.0	21.6
Advantaged Student							
NDSL	31.9	39.2	26.0	38.6	30.4	37.3	43.7
All loans	34.3	42.7	29.2	41.5	37.0	39.5	45.9
Grants	43.8	36.2	52.0	26.6	48.4	22.8	23.1
Work	21.9	21.1	18.8	31.9	19.6	37.7	30.9

CHAPTER 5

INSTITUTIONAL PERCEPTIONS OF PROBLEMS IN THE AWARD OF NDSL FUNDS

One method of assessing the impact and effectiveness of the administration of the National Direct Student Loan Program is to review the problems perceived by those responsible for selecting the recipients. It is generally agreed that success in collection is partially dependent on the way in which the loan was originally granted. If the financial aid administrators responsible for selection of recipients are not able to complete that process in an orderly, efficient, and businesslike manner, the ultimate ability of the institution to collect the loans may suffer.

The questionnaire administered to the institutional representatives of the NDSL Program -- generally the financial aid officer at each participating institution -- asked that they indicate the degree of difficulty their institutions experienced with the following administrative aspects of the program:

a. assessing the need of students dependent on their parents

b. determining which students were financially independent of their parents

c. determining students' eligibility for NDSLs

d. identifying transfer applicants who had had NDSLs at other institutions

e. raising the institution's share of the NDSL fund

f. obtaining loyalty oaths from borrowers

g. preparing NDSL operations reports

h. executing promissory notes

i. determining when the student unrest provision was applicable

j. timely notification to recipients about their awards

k. finding time to conduct necessary interviews with aid applicants

l. finding time to review applicants' financial needs

m. answering correspondence from aid applicants in a timely fashion

n. adequacy of the NDSL administrative cost allowance

The responses were in three categories: considerable difficulty, some difficulty, and little or no difficulty. Analysis of the responses indicated that, in general, certain problems were commonly believed to be of at least some difficulty to all the administrators. Variation in perception was more a function of the kind of problem than the type of institution, although some institutional differences did exist.

Problems in Selecting NDSL Recipients

The administrative aspect of the program considered to be the most difficult for all was the determination of which students were financially independent of their parents. More than three-quarters of the respondents reported experiencing at least some difficulty in this area, and nearly two out of ten reported considerable difficulty. Administrators at the public institutions of all types, which typically serve older student populations, generally reported more difficulty in making this determination than did their colleagues at the private institutions. Table 5.1 shows the distribution of responses to this item.

TABLE 5.1 DIFFICULTY IN DETERMINING FINANCIAL INDEPENDENCE FROM PARENTS

Institutional Type	Level of Difficulty Reported			
	Considerable	Some	None	Little or No Response
All Institutions	19.8%	55.3%	24.5%	.4%
Universities				
Public	19.7	57.4	22.9	--
Private	18.2	48.0	32.8	1.0
Four-Year Institutions				
Public	24.5	57.8	17.7	--
Private	20.4	57.7	21.7	.2
Two-Year Institutions				
Public	18.8	58.6	22.2	.3
Private	19.6	45.6	33.5	1.3

The next most difficult administrative problem was finding the time to conduct the necessary interviews with aid applicants. This is potentially a serious problem for the NDSL Program, for if financial aid administrators cannot hold interviews with applicants, they may not be able to make the individual judgments appropriate to the sensitive administration of the program and will be unable to impress upon applicants the responsibilities and obligations of loan repayment. This interviewing difficulty may be reflected in 1972-73 delinquency rates.

About seven out of ten respondents had considerable or some difficulty in finding time to conduct the necessary interviews. Again, the difficulties were perceived to be greater at the public institutions than at the private institutions (where, as shown in Chapter 3, administrators were more likely to perceive the level of professional [administrative] staff as adequate). Table 5.2 shows the responses to this item.

TABLE 5.2 DIFFICULTY IN FINDING TIME TO CONDUCT NECESSARY INTERVIEWS WITH AID APPLICANTS

	Level of Difficulty Reported			
Institutional Type	Considerable	Some	None	Little or No Response
All Institutions	19.2%	50.7%	29.4%	.7%
Universities				
Public	28.3	49.8	21.5	.4
Private	17.2	53.5	28.3	1.0
Four-Year Institutions				
Public	28.4	53.9	17.7	--
Private	14.8	50.0	34.7	.4
Two-Year Institutions				
Public	20.7	53.7	24.7	.9
Private	12.0	42.4	44.3	1.3

Problems in Office Administration

More than half the institutions reported at least some difficulty in preparing the NDSL operations reports. Among all institutions, 11 percent indicated they had considerable difficulty and 44.3 percent had some difficulty. There was no significant difference among institutions in the difficulty experienced in preparing operations reports.

TABLE 5.3 DIFFICULTY IN PREPARING NDSL OPERATIONS REPORTS

	Level of Difficulty Reported			
Institutional Type	Considerable	Some	None	Little or No Response
All Institutions	11.0%	44.3%	43.2%	1.6%
Universities				
Public	12.1	45.7	41.7	.5
Private	11.1	45.0	41.9	2.0
Four-Year Institutions				
Public	12.8	37.3	49.0	1.9
Private	9.1	46.5	43.4	1.1
Two-Year Institutions				
Public	12.7	44.4	41.1	1.8
Private	10.1	39.2	46.8	3.8

Another administrative difficulty that troubled many respondents was finding time to answer correspondence from aid applicants in a

timely fashion; 43.7 percent indicated at least some difficulty, and 11.2 percent indicated considerable difficulty. In both the public and the private sectors, universities reported more difficulty than did four-year institutions, and four-year institutions reported more difficulty than did two-year institutions. This is perhaps a reflection of the size of the institutions and the volumes of correspondence generated by larger applicant pools.

TABLE 5.4 DIFFICULTY IN ANSWERING CORRESPONDENCE FROM AID APPLICANTS IN A TIMELY FASHION

	Level of Difficulty Reported			
Institutional Type	Considerable	Some	Little or None	No Response
All Institutions	11.2%	43.7%	44.2%	.9%
Universities				
Public	18.4	51.6	30.0	--
Private	18.2	44.4	36.4	1.0
Four-Year Institutions				
Public	12.8	54.9	32.3	--
Private	9.1	43.6	46.7	.6
Two-Year Institutions				
Public	9.0	40.7	48.8	1.5
Private	1.9	31.0	65.2	1.9

Finding time to review applicants' financial need was of some or considerable difficulty to 53.2 percent of the respondents. Within each institutional type, the private institutions reported less difficulty than did the comparable public institutions. Two-year private institutions had the least difficulty; four-year public institutions had the greatest. These differences could also be a function of the perception of the adequacy of the professional staff size, which was higher at the private institutions. This problem should be of concern to program administrators, for failure to conduct adequate need analysis may result in the over-award of funds to students.

TABLE 5.5 DIFFICULTY IN FINDING TIME TO REVIEW APPLICANTS' FINANCIAL NEED

	Level of Difficulty Reported			
Institutional Type	Considerable	Some	Little or None	No Response
All Institutions	9.5%	43.7%	45.9%	.9%
Universities				
Public	17.0	45.7	37.2	--
Private	7.1	47.0	45.0	.9
Four-Year Institutions				
Public	10.8	60.8	28.4	--
Private	6.6	40.7	52.0	.7
Two-Year Institutions				
Public	12.7	41.1	44.8	1.5
Private	3.2	39.9	55.1	1.9

Slightly more than half the respondents indicated they had at least some difficulty in providing timely notification to the recipients of awards. Some 14.8 percent reported considerable difficulty and 36.1 percent, some difficulty. Again, the private institutions typically perceived less difficulty than did the public institutions.

In interpreting these responses, it must be kept in mind that in some years the federal notification of NDSL fund allocations have arrived at the institutions later than was desirable. The difficulty reported by the institutions might have been a function of the timing of the notification they received rather than of their inability to make their awards and forward notification to recipients on a desirable time schedule.

TABLE 5.6 DIFFICULTY IN PROVIDING TIMELY NOTIFICATION TO RECIPIENTS ABOUT AWARDS

	Level of Difficulty Reported			
Institutional Type	Considerable	Some	Little or None	No Response
All Institutions	14.8%	36.1%	48.2%	.9%
Universities				
Public	22.9	44.8	32.3	---
Private	15.2	36.9	46.5	1.5
Four-Year Institutions				
Public	14.7	48.0	36.3	1.0
Private	17.3	29.9	52.2	.7
Two-Year Institutions				
Public	8.6	39.2	51.2	.9
Private	8.9	26.6	62.7	1.9

As seen in Table 5.7, the problem of identifying transfer applicants who had had NDSLs at other institutions was of some or considerable difficulty to just under half the respondents (48.1 percent). Four-year public institutions had the greatest difficulty with this problem; 55.9 percent reported some or considerable difficulty. As would be expected, two-year institutions had the least difficulty; very few of their students would have attended other institutions previously.

TABLE 5.7 DIFFICULTY IN IDENTIFYING TRANSFER APPLICANTS WHO HAD NDSLS AT OTHER INSTITUTIONS

	Level of Difficulty Reported			
Institutional Type	Considerable	Some	Little or None	No Response
All Institutions	7.6%	40.5%	51.5%	.8%
Universities				
Public	4.9	43.1	52.0	--
Private	9.1	44.4	46.5	--
Four-Year Institutions				
Public	10.8	45.1	44.1	--
Private	6.2	45.1	48.0	.7
Two-Year Institutions				
Public	8.3	37.0	53.7	.9
Private	9.5	22.8	63.9	3.8

Other Administrative Problems

Table 5.8 shows that few institutions reported significant difficulties with the other administrative aspects of the NDSL Program covered by the questionnaire:

-- only slightly more than a quarter (27.3 percent) reported any difficulty in raising the institution's share of the NDSL fund. Two-year public and private and four-year public institutions reported the greatest difficulty.

-- fewer than one out of five (19.5 percent) of the institutions reported any difficulty in determining the financial need of students dependent on their parents. Two-year private institutions reported the greatest difficulty.

-- only 11.4 percent reported any difficulty in obtaining required loyalty oaths from borrowers. Private universities had slightly more difficulty than other types of institutions.

-- 14.6 percent indicated some or considerable difficulty in executing the promissory notes. While there was little difference among types of institutions, the private universities reported the highest level of difficulty.

-- few institutions had difficulty in determining NDSL eligibility; only 13.7 percent reported problems in this area. Private two-year institutions reported the greatest level of difficulty.

TABLE 5.8 DIFFICULTY WITH OTHER ADMINISTRATIVE ASPECTS OF THE NDSL PROGRAM

	Level of Difficulty Reported			
	Considerable	Some	Little or None	No Response
Raising Institution's Share of NDSL Fund				
All Institutions	7.5%	19.8%	72.0%	.8%
Universitites				
Public	5.8	17.5	76.7	---
Private	5.1	14.1	79.8	1.0
Four-Year Institutions				
Public	7.8	27.5	63.7	1.0
Private	9.3	17.7	72.1	.9
Two-Year Institutions				
Public	6.8	23.5	69.4	.3
Private	8.9	23.4	65.8	1.9
Assessing Need of Students Dependent on Their Parents				
All Institutions	2.5%	17.0%	80.1%	.4%
Universities				
Public	2.2	13.0	84.8	---
Private	2.0	17.7	79.8	.5
Four-Year Institutions				
Public	4.9	15.7	79.4	---
Private	1.8	16.6	81.2	.4
Two-Year Institutions				
Public	2.5	15.4	81.8	.3
Private	3.8	27.2	67.7	1.3
Obtaining Loyalty Oaths from Borrowers				
All Institutions	.9%	10.5%	81.2%	7.4%
Universities				
Public	.5	10.8	80.3	8.5
Private	2.0	13.6	76.3	8.1
Four-Year Institutions				
Public	2.9	9.8	82.4	4.9
Private	.2	12.2	82.3	5.3
Two-Year Institutions				
Public	.6	7.7	82.6	9.0
Private	1.3	7.6	81.6	9.5

TABLE 5.8, Continued

	Level of Difficulty Reported			
	Considerable	Some	Little or None	No Response
Executing Promissory Notes				
All Institutions	1.0%	13.5%	83.9%	1.6%
Universitites				
Public	.4	14.4	85.2	---
Private	1.0	14.7	82.3	2.0
Four-Year Institutions				
Public	---	13.7	85.3	1.0
Private	.7	14.2	83.0	2.2
Two-Year Institutions				
Public	2.2	12.7	83.3	1.9
Private	.6	11.4	86.7	1.3
Determining Students' Eligibility for NDSLs				
All Institutions	.5%	13.2%	85.9%	.5%
Universities				
Public	---	9.0	90.6	.5
Private	---	12.1	87.4	.5
Four-Year Institutions				
Public	1.0	12.8	86.3	---
Private	.4	10.6	88.5	.4
Two-Year Institutions				
Public	.9	15.1	83.6	.3
Private	.6	24.1	74.1	1.3
Determining When Student Unrest Provision Applicable				
All Institutions	2.1%	8.7%	87.2%	2.1%
Universities				
Public	4.0	12.6	82.5	.9
Private	4.6	10.6	82.3	2.5
Four-Year Institutions				
Public	2.9	8.8	87.3	1.0
Private	.4	7.7	90.3	1.6
Two-Year Institutions				
Public	1.2	6.8	90.7	1.2
Private	1.9	7.6	83.5	7.0

-- 9.8 percent of the institutions had any trouble determining when the student unrest provisions were applicable. Universities, both public and private, reported the greatest difficulty.

The perceived adequacy of institutional NDSL allotments is also an area that did and does pose some administrative problems. Overall, slightly more than half of the institutions polled felt the FY 1973 NDSL funding level was adequate or more than adequate (see Table 5.9). Private universities believed they were relatively worse off, and public two-year institutions were most likely to perceive their funding levels as adequate or more than adequate.

Administrative Cost Allowance

The NDSL Program contains a provision that permits institutions to draw up to 4 percent of the NDSL fund advanced during the award period to cover administrative expenses. The ETS questionnaire for financial aid administrators contained three items designed to assess their perceptions of the administrative cost allowance. First, they were asked what percentage of their total NDSL administrative costs were covered by the allowance. Interestingly enough, almost 7 percent of the respondents reported they did not use the allowance option. Only about one-third said the allowance covered half or more of the actual administrative costs (see Table 5.10).

When asked if the NDSL administrative cost allowance should be increased, about 71 percent of the respondents said yes. Administrators at public two-year institutions were somewhat less likely than

TABLE 5.9 WERE THE FUNDS FOR NDSL AT YOUR INSTITUTION FOR FISCAL 1973 ADEQUATE, MORE THAN ADEQUATE, OR LESS THAN ADEQUATE FOR YOUR NEEDS?

Institutional Type	Adequate	More Than Adequate	Less Than Adequate	No Response
All Institutions	43.2%	9.8%	46.2%	.8%
Universities				
Public	45.7	4.0	49.8	.5
Private	39.4	7.6	52.0	1.0
Four-Year Institutions				
Public	44.1	8.8	47.1	--
Private	42.3	6.9	50.0	.9
Two-Year Institutions				
Public	46.3	17.9	35.2	.6
Private	40.5	13.3	44.9	1.3

TABLE 5.10 APPROXIMATELY WHAT PERCENT OF YOUR INSTITUTION'S TOTAL ANNUAL NDSL ADMINISTRATIVE COSTS ARE COVERED BY THE ADMINISTRATIVE ALLOWANCE THE GOVERNMENT PERMITS YOU TO WITHDRAW FROM THE NDSL FUND?

Percent of Administrative Costs Covered by Allowance	Percent of Institutions
None; do not use option	6.9
1 - 10	23.5
11 - 20	9.2
21 - 30	13.2
31 - 40	7.9
41 - 50	14.4
51 - 75	11.3
76 - 100	6.1
over 100	.8

those at other types of institutions to feel the allowance should be increased; administrators at private institutions were most in favor of an increase.

TABLE 5.11 IN YOUR OPINION, SHOULD THE NDSL ADMINISTRATIVE ALLOWANCE BE INCREASED?

Institutional Type	Yes	No	Hard to Say	No Response
All Institutions	70.7%	8.0%	16.9%	4.4%
Universities				
Public	77.7	6.3	12.2	3.8
Private	78.2	5.3	14.1	2.4
Four-Year Institutions				
Public	63.0	11.1	25.0	.9
Private	72.0	6.7	18.4	2.9
Two-Year Institutions				
Public	62.7	10.1	20.5	6.8
Private	66.7	12.0	10.7	10.7

To gain further insight into the administrative cost allowance question, administrators were asked what percentage of the NDSL fund they thought they should be able to use to cover administrative expenses. More than one-quarter had no opinion on the matter. Among those with opinions, nearly all felt the allowance should be increased.

TABLE 5.12 WHAT SHOULD THE NDSL ADMINISTRATIVE ALLOWANCE BE?

Institutional Type	Percent of NDSL Fund Institutions Should Be Able to Use to Cover Administrative Expenses								
	4%	5%	6%	7%	8%	9%	10%	Over 10%	No Response
All Institutions	2.4%	20.4%	15.9%	5.0%	4.6%	1.5%	17.5%	6.1%	26.6%
Universities									
Public	2.5	25.6	16.0	5.4	6.7	1.7	14.3	8.0	19.8
Private	3.4	18.9	16.5	6.8	5.8	1.9	21.4	5.3	19.9
Four-Year Institutions									
Public	2.8	15.7	13.9	3.7	7.4	1.9	14.8	8.3	31.5
Private	1.6	20.8	18.6	5.7	3.3	2.0	16.3	5.1	26.5
Two-Year Institutions									
Public	2.3	17.5	12.6	3.9	3.6	.7	18.8	7.1	33.7
Private	3.1	22.0	15.1	3.9	3.8	.6	19.5	3.1	29.6

CHAPTER 6

THE EXIT INTERVIEW

At the time the study was undertaken, institutions were strongly encouraged to conduct exit interviews with NDSL borrowers, to explain the exact amounts of the notes, to select and record repayment plans, to stress the importance of repayment, and to collect tracking data that would enable them to maintain contact with the borrowers during the repayment period.[1]

Exit Interviews with Graduates and Dropouts

Fiscal officers were asked if their institutions conducted exit interviews in 1972-73 with graduating NDSL borrowers. In response, 86.2 percent said exit interviews were conducted in almost all cases, and 8.6 percent said interviews were held in some cases (see Table 6.1). It is noteworthy that two-year institutions were much less likely than all other types of institutions to conduct exit interviews.

A parallel item was included in the fiscal officers' questionnaire to examine whether exit interviews were held with borrowers who dropped out of school. As seen in Table 6.2, less than 60 percent of the institutions held exit-loan interviews for substantially all dropouts, reflecting perhaps the greater difficulty in identifying dropouts in advance and scheduling the interviews.

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[1]Subsequent to the study, the U.S. Office of Education developed regulations pertaining to due diligence that require exit interviews.

TABLE 6.1 EXIT INTERVIEWS CONDUCTED WITH GRADUATING NDSL BORROWERS

Institutional Type	Does Your Institution Conduct Exit Interviews with Graduating NDSL Borrowers?			
	Yes, in Substantially All Cases	Yes, in Some Cases	No	No Response
All Institutions	86.2%	8.6%	2.4%	2.8%
Universities				
Public	87.4	11.8	.4	.4
Private	88.4	7.3	2.4	1.9
Four-Year Institutions				
Public	94.4	3.7	--	1.9
Private	92.0	4.7	1.6	1.6
Two-Year Institutions				
Public	78.3	13.6	3.9	4.2
Private	73.6	10.1	6.9	9.4

TABLE 6.2 EXIT INTERVIEWS CONDUCTED WITH NDSL BORROWERS WHO DROPPED OUT OF SCHOOL BEFORE COMPLETING THEIR STUDIES

Institutional Type	Does Your Institution Conduct Exit Interviews with Dropouts?			
	Yes, in Most Cases	Yes, in Some Cases	No	Not Reported
All Institutions	58.5%	31.6%	4.9%	4.9%
Universities				
Public	62.2	34.5	2.9	.4
Private	58.7	30.1	6.8	4.4
Four-Year Institutions				
Public	52.8	38.9	6.4	1.9
Private	62.7	28.0	5.9	3.5
Two-Year Institutions				
Public	53.1	36.0	3.6	7.4
Private	54.7	27.7	3.1	14.5

How Interviews Are Conducted and What They Cover

Institutions have the option of conducting exit interviews with students individually or in group sessions. About 76 percent of the respondent institutions conducted individual interviews, while about 17 percent held group interviews (see Table 6.3). Perhaps due to their larger numbers of borrowers, public universities and four-year schools were somewhat more likely than their private counterparts to hold group exit interviews.

TABLE 6.3 HOW EXIT INTERVIEWS CONDUCTED

Institutional Type	Individually	In Group Sessions	Exit Interviews Not Conducted	No Response
All Institutions	76.2%	17.2%	.5%	6.1%
Universities				
Public	71.0	28.2	--	.8
Private	75.7	17.5	1.0	5.8
Four-Year Institutions				
Public	70.4	24.1	--	5.6
Private	75.7	18.4	.4	5.5
Two-Year Institutions				
Public	84.1	7.4	1.0	7.4
Private	74.8	10.7	--	14.5

When asked if the repayment schedule was discussed with the borrower during the exit interview, somewhat more than 90 percent of the respondents said "yes, in most cases" (see Table 6.4). Of some significance

is the finding that one in twenty institutions either did not respond to the question or said no, suggesting that perhaps as many as 5 percent of the respondent institutions did not conduct exit interviews (also see Table 6.3). Two-year institutions were less likely than others to discuss repayment schedules with borrowers during exit interviews.

TABLE 6.4 REPAYMENT SCHEDULE DISCUSSED WITH BORROWER DURING EXIT INTERVIEW?

Institutional Type	Repayment Schedule Discussed?			
	Yes, in Most Cases	Yes, in Some Cases	No	No Response
All Institutions	90.6%	3.0%	1.7%	4.8%
Universities				
Public	96.2	2.5	--	1.3
Private	91.2	1.9	2.4	3.9
Four-Year Institutions				
Public	93.5	3.7	.9	1.9
Private	92.2	3.3	1.0	3.5
Two-Year Institutions				
Public	86.7	3.2	2.9	7.1
Private	81.8	2.5	1.3	14.5

Fiscal officers were asked to assess the effectiveness of the exit interview in terms of whether students seemed to gain from it a thorough understanding of their repayment obligations. As seen in Table

6.5, seven out of ten fiscal officers responded that most borrowers left the interview with a thorough understanding of their repayment obligations; about 21 percent said a thorough understanding was evident in some cases.

TABLE 6.5 HAS IT BEEN YOUR EXPERIENCE THAT NDSL BORROWERS GAIN A THOROUGH UNDERSTANDING OF THEIR REPAYMENT OBLIGATIONS FROM THE EXIT INTERVIEW?

Institutional Type	Yes, in Most Cases	Yes, in Some Cases	No	No Response
All Institutions	69.9%	20.9%	4.1%	5.1%
Universities				
Public	74.8	22.3	2.5	.4
Private	77.7	15.5	2.9	3.9
Four-Year Institutions				
Public	71.3	21.3	5.6	1.9
Private	71.6	20.2	4.5	3.7
Two-Year Institutions				
Public	63.4	23.6	5.5	7.4
Private	60.4	20.8	3.1	15.7

As noted earlier, one of the main purposes of the exit interview is to gather tracking information to permit the institution to locate the borrower during the repayment period. Curiously, only 28 percent of the responding institutions used the interview for this purpose (see Table

6.6), suggesting that the information is gathered through some other means (such as the loan application).

TABLE 6.6 EXIT INTERVIEW USED TO GATHER TRACKING INFORMATION FROM TERMINAL NDSL BORROWERS BEFORE THEY LEAVE THE INSTITUTION?

Institutional Type	Yes	No	No Response
All Institutions	28.0%	65.1%	6.9%
Universities			
Public	98.3	--	1.7
Private	28.6	65.5	5.8
Four-Year Institutions			
Public	92.6	5.6	1.9
Private	31.2	62.7	6.1
Two-Year Institutions			
Public	90.0	2.9	7.0
Private	78.6	6.3	15.1

Though the exit interview did not appear to be used by many institutions to gather tracking information, this does not imply that such information was not collected. As shown in Table 6.7, about 94 percent of the institutions collected parents' addresses and the addresses at which borrowers could be reached at first billing. About two-thirds of the institutions also gathered information about references' addresses.

TABLE 6.7 PERCENT OF INSTITUTIONS GATHERING VARIOUS TYPES OF TRACKING INFORMATION FROM NDSL BORROWERS BEFORE THEY LEAVE THE INSTITUTION

Institutional Type	Parents' or Guardian's Address	Address at Which Borrower Could Be Reached at First Billing	Address of References	Address of Borrower's Home Bank	Address of Borrower's Church	Address of Present Employee
All Institutions	93.9	94.3	68.4	54.6	28.0	51.4
Universities						
Public	97.5	99.2	74.4	51.3	26.5	66.0
Private	92.2	96.1	72.3	49.0	28.6	54.9
Four-Year Institutions						
Public	94.4	98.2	64.8	61.1	32.4	46.3
Private	94.9	95.7	64.1	56.9	31.2	45.9
Two-Year Institutions						
Public	92.9	90.9	69.6	57.3	24.6	48.2
Private	88.7	84.3	66.7	50.9	23.9	51.6

CHAPTER 7

NDSL BILLING AND COLLECTION PROCEDURES

Data presented in this chapter were derived from responses to items 16-23 and 26 of the fiscal officer's questionnaire. Responses to these items were cross-tabulated by institutional type and control to investigate variations in billing and collection procedures by type and control of institution. The following questions are illustrative of the types of questions to be addressed in this chapter: What percentage of institutions in the study permitted partial repayment? Were universities more likely than two-year institutions to permit partial repayment? What was the primary administrative arrangement for receiving teacher cancellation forms from NDSL borrowers? What percentage of institutions used commercial billing services and collection agencies? How did these percentages vary by type of institution?

Billing and Collection Administrative Options

Fiscal officers at institutions participating in the National Direct Student Loan Program may exercise a variety of administrative options. For example, the fiscal officer may permit partial repayment by borrowers facing extenuating circumstances. On the other hand, the fiscal officer may require payment of principal interest by the borrower at a rate equal to not less than $30 per month. In addition, the institutional fiscal officer is permitted to defer payments for part-time students and students in hardship. Percentages of respondent institutions exercising these various NDSL repayment options in 1972-73 appear in Table 7.1.

TABLE 7.1 PERCENT OF INSTITUTIONS EXERCISING VARIOUS NDSL REPAYMENT OPTIONS

Institutional Type	Permit Partial Repayment	Require Minimum Repayment	Defer Repayment for: Part-Time Students	Defer Repayment for: Hardship Cases
All Institutions	76.3	77.4	60.6	64.9
Universities				
Public	89.1	81.9	75.2	71.4
Private	80.6	76.7	59.2	70.9
Four-Year Institutions				
Public	88.0	85.2	57.4	66.7
Private	77.9	77.6	63.3	70.6
Two-Year Institutions				
Public	67.0	73.8	59.2	56.0
Private	56.6	71.7	37.7	45.9

Approximately three-quarters of the institutions in the study permitted partial repayment. Almost 90 percent of the public universities permitted students to make partial repayments; only 67 percent of the public two-year institutions did the same. In addition, approximately three-fourths of the institutions required minimum repayments from borrowers with small notes. In general, public institutions were more likely than their nonpublic counterparts to require minimum repayments. Moreover, universities and four-year institutions were more likely than two-year institutions to require minimum repayments from borrowers whose notes were comparatively small.

About three out of five responding institutions deferred repayment for part-time students. Public universities were more likely than other types of institutions to do so.

With respect to deferring repayments in hardship cases, 64.9 percent of all institutions did permit this flexibility. Again, public universities were more likely to defer repayment in hardship cases than were other types of institutions; two-year institutions were less likely to do so. Of the two-year public institutions, 56 percent indicated they did defer repayments in such instances, compared to only 45.9 percent of the private two-year institutions.

Administration of Teacher Cancellation Provisions

The National Direct Student Loan Program regulations, as of 1972-73, allowed teachers in certain types of schools to cancel portions of their loans. To realize this benefit, a borrower who taught had to file a Request for Partial Cancellation of Loan form each year with the institution. Institutional fiscal officers were asked as part of the ETS study about their administrative arrangements for handling these requests.

The data in the Table 7.2 show that 14.6 percent of the responding institutions sent the Request for Partial Cancellation of Loan form to all NDSL borrowers. Almost 31 percent sent it only to borrowers who had taught the preceding year or had indicated their intention to teach at the time of graduation; 37.3 percent expected borrowers to take the initiative by requesting the cancellation form from the institution if they met stated eligibility requirements.

TABLE 7.2 ADMINISTRATIVE ARRANGEMENT FOR RECEIVING TEACHER CANCELLATION FORMS FROM NDSL BORROWERS

Institutional Type	RPCL* Sent to All Borrowers	RPCL Send to Teachers Only	Borrowers Request RPCL	Other	No Response	Total
All Institutions	14.6%	30.9%	37.3%	8.9%	8.3%	100.0%
Universities						
Public	11.8	49.8	24.1	8.0	6.3	100.0
Private	18.0	35.0	31.6	8.7	6.8	100.0
Four-Year Institutions						
Public	14.8	50.0	25.9	4.6	4.6	100.0
Private	16.7	29.6	39.4	9.0	5.3	100.0
Two-Year Institutions						
Public	12.9	17.5	50.5	7.8	11.3	100.0
Private	10.7	13.8	40.9	15.7	18.9	100.0

*RPCL = Request for Partial Cancellation of Loan Form

Public universities and public four-year institutions were more likely than other institutions to send the Request for Partial Cancellation of Loan Form only to teachers or borrowers who indicated at graduation their intention to teach. Nearly half the public universities and four-year institutions utilized this particular procedure. In contrast, two-year institutions (both public and private) were more likely than other types of institutions to expect borrowers to request the cancellation form from the school if the borrower met stated eligibility requirements.

Administration of Educational Deferments

NDSL borrowers may defer repayments if they continue their education on a full- or half-time basis at an institution of higher education. In addition, students may qualify for deferments while serving in the armed services, Peace Corps, or VISTA. To realize this benefit, eligible borrowers must file a Request for Deferment Form (RDF) with the lending institution. Some institutions send this form to all borrowers, some send it only to borrowers whose loans were deferred the preceding year, and still others require borrowers to request the form from the institution if they meet stated eligibility requirements.

Table 7.3 presents percentage distributions of institutions, classified by type, that used various arrangements for receiving RDFs from NDSL borrowers in 1972-73. Overall, 46 percent of the institutions in the ETS study expected borrowers to ask the school for the form if they met the stated eligibility requirements. The next most frequent procedure was to send the RDF only to borrowers whose loans had been deferred the preceding year. The data in the table suggest no major departure from these general findings among the various institutional types.

Usage and Effectiveness of Billing and Collection Agencies

Over the past several years a number of commerical firms have developed and marketed services tailored to institutions to assist them in preparing bills for NDSL borrowers. Institutions undoubtedly contract with commerical billing services for a number of reasons. Some do so because they believe a third party will be more effective in collecting the notes. Others probably turn to commercial billing

TABLE 7.3 ADMINISTRATIVE ARRANGEMENT FOR RECEIVING REQUEST FOR DEFERMENT FORMS (RDF) FROM NDSL BORROWERS

Institutional Type	RDF Sent to All Borrowers	RDF Sent Only to Borrowers with Previous Deferment	Borrowers Request RDF	Other	No Response	Totals
All Institutions	15.5%	25.3%	46.0%	6.1%	7.1%	100.0%
Universities						
Public	12.2	34.9	42.4	6.7	3.8	100.0
Private	20.0	27.8	42.0	6.8	3.4	100.0
Four-Year Institutions						
Public	12.0	33.3	47.2	3.7	3.7	100.0
Private	16.3	25.1	46.3	6.5	5.7	100.0
Two-Year Institutions						
Public	15.9	16.6	51.0	5.5	11.0	100.0
Private	13.8	18.2	46.5	5.7	15.7	100.0

services because they lack the administrative personnel to perform this function and feel use of a commerical billing service is more cost-effective. It is probably true that schools participating in the National Direct Student Loan Program turn to outside firms for similar reasons.

The data in Table 7.4 indicate more than one-third of the institutions in the ETS study used commercial billing services in 1972-73. Higher percentages of private institutions used these billing services than was true for public institutions. Close to half of the private universities and private four-year institutions used billing services, but only 18.9 percent of the public universities and 22.2 percent of the public four-year institutions used them.

About one-quarter of the institutions surveyed used outside collection agencies for all delinquent accounts; 40.5 percent of the schools used them in connection with hard-core delinquent accounts. Public four-year institutions were more likely than other types of institutions to use outside collection agencies for all delinquent accounts; more than half of the public universities used collection agency services for hard-core delinquent accounts only.

Institutions using commercial billing services were asked about their effectiveness in reducing delinquent accounts. Only about 20 percent of the users felt commercial billing services were "very effective." Almost 60 percent felt such services were "fairly effective," and about 20 percent expressed some dissatisfaction with the effectiveness. Public four-year institutions were the most satisfied with the effectiveness of billing services in reducing delinquencies (see Table 7.5).

TABLE 7.4 PERCENT OF INSTITUTIONS USING COMMERCIAL BILLING SERVICES AND COLLECTION AGENCY SERVICES IN 1972-73

Institutional Type	Used Commercial Billing Services	Used Outside Collection Agencies for: All Delinquent Accounts	Used Outside Collection Agencies for: Hard-Core Delinquent Accounts Only
All Institutions	37.5	24.4	40.5
Universities			
Public	18.9	25.0	54.9
Private	46.1	23.5	48.0
Four-Year Institutions			
Public	22.2	34.0	35.9
Private	47.9	22.9	42.6
Two-Year Institutions			
Public	33.6	25.4	26.5
Private	39.6	19.2	30.0

TABLE 7.5 EFFECTIVENESS OF COMMERCIAL BILLING SERVICES IN REDUCING NUMBER AND AMOUNT OF DELINQUENT ACCOUNTS

Institutional Type	Very Effective	Fairly Effective	Not Very Effective
All Institutions	20.4%	59.4%	20.2%
Universities			
Public	27.0	51.4	21.6
Private	24.4	51.2	24.4
Four-Year Institutions			
Public	36.4	54.6	9.0
Private	16.7	63.2	20.2
Two-Year Institutions			
Public	18.9	64.4	16.7
Private	19.6	56.9	23.5

With regard to the costs of commercial billing services, two-thirds of the responding fiscal officers felt commercial billing services were more cost-effective than postsecondary institutions relative to preparation of NDSL bills (see Table 7.6). Only 11 percent of the fiscal officers thought billing services were more expensive.

TABLE 7.6 USER ATTITUDES ABOUT THE RELATIVE COST OF COMMERCIAL BILLING SERVICES IN 1972-73

Institutional Type	Cost More Than If Institution Prepared Bills	Cost About the Same as for Institution to Prepare Bills	Cost Less Than If Institution Prepared Bills
All Institutions (N=565)*	11.0%	21.4%	67.6%
Universities			
Public (N=48)	20.8	25.0	54.2
Private (N=94)	11.7	19.1	69.1
Four-Year Institutions			
Public (N=24)	12.5	25.0	62.5
Private (N=233)	9.4	24.5	66.1
Two-Year Institutions			
Public (N=105)	11.4	15.2	73.3
Private (N=60)	6.7	20.0	73.3

*Percentages based only on institutions using commercial billing services.

Fiscal officers who used outside collection agencies were also asked about their effectiveness in reducing the number and amounts of accounts in default. As shown in Table 7.7, more than 80 percent said the agencies were either fairly effective or very effective; 19.3 percent said they were not very effective.

TABLE 7.7 EFFECTIVENESS OF A COLLECTION AGENCY IN REDUCING THE NUMBER AND AMOUNT OF DELINQUENT NDSL ACCOUNTS

Institutional Type	Very Effective	Fairly Effective	Not Very Effective
All Institutions	16.2%	64.4%	19.3%
Universities			
Public	19.0	64.8	16.2
Private	17.1	70.0	12.9
Four-Year Institutions			
Public	16.7	68.1	15.3
Private	14.9	65.7	19.5
Two-Year Institutions			
Public	14.2	58.2	27.0
Private	18.0	50.8	31.2

Another questions was about the relative costs of having a collection agency or the institution perform the same function. About 80 percent of the respondents thought the charges by collection agencies were about the same, or less, than what it would cost the institution to perform the collection function (see Table 7.8).

TABLE 7.8 USER ATTITUDES ABOUT RELATIVE COSTS OF COLLECTION AGENCIES AND INSTITUTIONS PERFORMING NDSL COLLECTION FUNCTION

Institutional Type	More Costly	About the Same Cost	Less Costly
All Institutions (N=895)	19.4%	22.8%	57.8%
Universities			
Public (N=174)	21.8	25.2	52.9
Private (N=137)	16.8	21.1	62.0
Four-Year Institutions			
Public (N=73)	20.5	26.0	53.4
Private (N=302)	23.5	20.5	56.0
Two-Year Institutions			
Public (N=141)	9.9	25.5	64.5
Private (N=64)	18.7	20.3	60.9

Fiscal officers who received the ETS questionnaire also were asked how many times bills were sent to NDSL borrowers before they considered legal action. Their responses, classified by type of institution, appear in Table 7.9.

Less than 1 percent of the institutions surveyed sent only one reminder to delinquent NDSL borrowers before legal action was considered. A majority of the responding institutions (53.3 percent) indicated that they sent five or more reminder notices to delinquent NDSL borrowers before legal action was considered. The data in Table 7.9 indicate that universities and four-year institutions were more

TABLE 7.9 NUMBER OF TIMES DELINQUENT NDSL BORROWERS REMINDED BEFORE LEGAL ACTION CONSIDERED

Institutional Type	One	Two	Three	Four	Five or More	No Del. Accts	No Response	Totals
All Institutions	0.5%	2.1%	16.6%	12.8%	53.3%	5.5%	9.2%	100.0%
Universities								
Public	0.4	1.3	14.7	16.8	58.8	2.9	5.0	100.0
Private	0.0	1.5	14.1	14.1	57.8	5.3	7.3.	100.0
Four-Year Institutions								
Public	1.9	1.9	24.1	13.9	50.0	0.9	7.4	100.0
Private	0.4	1.8	17.1	9.4	59.8	3.3	8.2	100.0
Two-Year Institutions								
Public	1.0	3.6	17.5	13.9	44.0	7.8	12.3	100.0
Private	0.0	2.5	13.2	13.2	40.3	14.5	16.4	100.0

likely to send five or more reminders than were two-year institutions. Among two-year institutions, only 44.0 percent of the public and 40.3 percent of the private sent five or more reminders.

Administrative Actions against Defaults

There are a number of administrative actions that schools participating in the NDSL Program may take with respect to NDSL borrowers. For example, they may assess penalty charges for loans not paid when due. In the case of a loan that is repayable in monthly installments, the institution may charge $1 for the first month the installment or evidence is late and $2 for each month thereafter. In the case of loans that have bimonthly or quarterly repayment intervals, $3 and $6, respectively, may be charged. Overall, about one school in five in the ETS study assessed penalty charges. Two-year institutions, both public and private, were more likely than other types of institutions to assess penalties.

More than 60 percent of the institutions surveyed reported that they prohibited release of grade transcripts for students who were delinquent in their NDSL repayments (see Table 7.10). Universities and four-year institutions (both public and private) were more likely than two-year institutions to do this. Only slightly more than half of the two-year institutions in the study indicated that they prohibited the release of grade transcripts for delinquent borrowers.

A very high percentage of the institutions in the survey (82.6 percent) indicated that they sent letters threatening legal action to delinquent borrowers, although public institutions were somewhat

TABLE 7.10 PERCENT OF INSTITUTIONS TAKING VARIOUS ADMINISTRATIVE ACTIONS AGAINST DELINQUENT NDSL BORROWERS

Institutional Type	Assessed Penalty Charges	Prohibited Release of Grade Transcripts	Sent Threatening Letters	Turned Accounts Over to Lawyer or Collection Agency	Charged Collection Costs to Borrower
All Institutions	22.8%	64.1%	82.6%	68.4%	26.1%
Universities					
Public	22.4	77.7	88.7	81.9	29.8
Private	24.3	67.5	85.0	72.8	24.4
Four-Year Institutions					
Public	22.2	64.8	88.0	72.2	22.2
Private	17.6	65.9	83.9	70.0	20.2
Two-Year Institutions					
Public	27.8	53.7	77.7	56.6	31.4
Private	28.3	53.5	72.3	56.0	32.1

more likely to do so than were their private counterparts. Two-year institutions, both public and private, were less likely to send such letters.

While more than 80 percent of the institutions indicated that they threatened legal action, only 68.4 percent said they actually turned delinquent accounts over to lawyers or collection agencies. More than eight out of ten of the public universities turned delinquent accounts over to lawyers or collection agencies. Fewer than three-quarters of the responding four-year institutions turned accounts over to lawyers or agencies. On the other hand, only slightly more than half of the private and public two-year institutions turned accounts over to lawyers or collection agencies.

Institutions participating in the NDSL Program may charge delinquent borrowers for costs associated with collecting their overdue accounts. About one-quarter of the institutions participating in the study charged the borrowers for collection costs. Almost one-third of the two-year institutions, both public and private, charged collection costs to the borrower. Somewhat lower percentages of the public and private universities and public and private four-year institutions did the same.

Write-Off Preferences

Numerous institutional financial aid and fiscal officers have expressed the view that they would like to be able to write off, for accounting purposes, accounts that have been delinquent for a period of time. One of the items in the ETS questionnaire for fiscal officers

asked: "After what period of time do you think institutions should be allowed to 'write-off' delinquent NDSL accounts as uncollectable?" The responses to this item appear in Table 7.11.

Only 1 percent of the responding fiscal officers indicated that they would like to write off as delinquent and uncollected any accounts that were delinquent six months or less. The analysis suggests that the majority (60.2 percent) of the institutional fiscal officers felt they should be able to write off loans as uncollectable if they were delinquent less than three years. Undoubtedly, some of the fiscal officers who expressed preference for three years or more felt it was unnecessary to have a write-off provision in the NDSL Program.

This chapter has described some of the procedures used by institutions in their billing and collection efforts; it has not analyzed the relationships between billing and collection procedures and repayment performance. Relationships between administrative practices and delinquency rates are discussed at length in Chapter 9.

TABLE 7.11 WRITE-OFF PERIOD PREFERENCE

Institutional Type	6 Mos. or Less	12 Mos.	18 Mos.	24 Mos.	36 Mos.	More Than 36 Mos.	No Response	Totals
All Institutions	1.0%	7.5%	6.2%	26.1%	19.4%	32.4%	7.5%	100.0%
Universities								
Public	0.4	5.9	5.9	29.0	20.6	34.5	3.8	100.0
Private	1.5	8.7	5.8	22.3	18.5	38.4	4.9	100.0
Four-Year Institutions								
Public	0.9	2.8	3.7	23.2	13.0	47.2	9.3	100.0
Private	0.0	5.1	6.2	23.3	22.0	37.6	5.9	100.0
Two-Year Institutions								
Public	1.3	10.0	7.8	32.0	20.1	18.1	10.7	100.0
Private	3.8	13.8	6.3	25.8	13.2	23.3	13.8	100.0

CHAPTER 8

PROBLEMS IN NDSL BILLING AND COLLECTION

One of the items in the questionnaire for institutional fiscal officers asked them to identify problem areas in fiscal administration of the NDSL Program by indicating the degree of difficulty experienced with several aspects of the program.

Fiscal officers' responses to item 29 were cross-tabulated by type and control of institution. The purposes of these analyses were two-fold: (1) to determine the degree of difficulty institutions faced with various administrative aspects of the program and (2) to determine whether certain types of institutions encountered particular difficulty with certain administrative features of the program.

The Education Amendments of 1972 stipulated that National Direct Student Loans could be canceled for borrowers who served as full-time teachers in an academic year in public or other nonprofit elementary or secondary schools that qualified for assistance under Title 1 of the Elementary and Secondary Education Act of 1965. In addition, NDSL borrowers were eligible for partial cancellation if they were full-time staff members in preschool programs carried out under the Economic Opportunity Act of 1964. Furthermore, NDSL borrowers could qualify for partial cancellation of their loans if they were either full-time teachers of handicapped children in public or other nonprofit elementary or secondary school systems or if they served in an area of hostility as members of the armed forces.

Administering Cancellation Provisions

When asked if they encountered difficulty in determining individual students' eligibility for teacher cancellation, only 1.7 percent of the fiscal officers indicated considerable difficulty; 13.5 percent said they experienced some difficulty, and 70.8 percent indicated little or no difficulty (see Table 8.1). About three-quarters of the universities and four-year institutions (both public and private) indicated that they experienced little or no difficulty with this aspect of the program. Worthy of note is the finding that public universities and public four-year institutions encountered somewhat more difficulty in determining eligibility for teacher cancellation than did other types of institutions. About 21 percent of the respondents in public universities encountered difficulty and 17.6 percent of the respondents in public four-year institutions encountered some difficulty. This may simply reflect the fact that public institutions typically have larger enrollments and therefore more students who qualify for teacher cancellation than do private institutions.

Fiscal officers were asked how difficult it was for them to determine the amount of principal and interest to be canceled for teachers of disadvantaged children. Table 8.2 shows that, overall, only 15.5 percent of the respondents indicated that they encountered some or considerable difficulty; almost two-thirds said they experienced little or none. Responses to this item indicate that this aspect of the program was a problem for only a small segment of the institutions regardless of type and control. A larger portion of two-year institutions indicated that the item was not applicable to them, probably because of the absence of teacher training programs.

TABLE 8.1 DIFFICULTY IN DETERMINING ELIGIBILITY FOR TEACHER CANCELLATION

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	1.7%	13.5%	70.8%	9.8%	4.2%
Universities					
Public	2.1	21.4	71.0	2.9	2.5
Private	1.5	12.6	75.7	7.8	2.4
Four-Year Institutions					
Public	--	17.6	79.6	1.9	.9
Private	1.2	12.0	78.6	5.7	2.5
Two-Year Institutions					
Public	2.9	11.3	65.4	13.0	7.4
Private	1.3	8.2	44.7	34.6	11.3

TABLE 8.2 DIFFICULTY IN DETERMINING AMOUNTS OF PRINCIPAL AND INTEREST TO BE CANCELED FOR TEACHERS OF DISADVANTAGED CHILDREN

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	2.2%	13.3%	65.8%	14.1%	4.6%
Universities					
Public	2.9	13.0	75.2	6.3	2.5
Private	1.0	13.1	71.4	12.1	2.4
Four-Year Institutions					
Public	2.8	13.9	77.8	4.6	.9
Private	2.7	14.3	71.6	8.8	2.7
Two-Year Institutions					
Public	1.9	12.3	57.0	20.4	8.4
Private	1.3	12.0	35.2	39.6	12.0

When asked about the difficulty encountered in maintaining records to allow postponement of installments in anticipation of cancellation, slightly more than half of the responding institutions indicated that this posed little or no difficulty. About one institution in five reported some difficulty in maintaining records to allow postponement of installments in anticipation of cancellation. Public four-year institutions appear to have had somewhat more difficulty than other types of institutions with this aspect of the program (see Table 8.3).

It was noted earlier in this chapter that the NDSL Program allows students who are teachers in certain types of schools, teachers of handicapped children, and borrowers who have served in areas of hostility as members of the armed forces to cancel portions of their loans. To realize this benefit, however, borrowers must file request for cancellation forms each year with their institutions. Borrowers who qualify for cancellation benefits but do not file the requests in a timely fashion are considered for accounting purposes to be in arrears. Thus, schools that have experienced difficulty with timely submission of cancellation requests might be expected to have somewhat poorer collection records than those that have not.

The data in Table 8.4 indicate that more than half the fiscal officers surveyed for this study reported considerable or some difficulty in receiving cancellation requests on a timely basis from borrowers. Slightly more than one-quarter reported little or no difficulty with timely submission of cancellation requests. It appears that public four-year institutions encountered more difficulty than other types of institutions in receiving cancellation requests when due from their

TABLE 8.3 DIFFICULTY IN MAINTAINING RECORDS TO ALLOW POSTPONEMENT OF INSTALLMENT IN ANTICIPATION OF CANCELLATION

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	3.7%	19.5%	54.8%	17.1%	5.0%
Universities					
Public	4.6	16.8	68.1	8.0	2.5
Private	3.4	16.0	61.7	15.5	3.4
Four-Year Institutions					
Public	4.6	25.9	57.4	11.1	.9
Private	4.1	21.8	55.1	15.7	3.3
Two-Year Institutions					
Public	3.6	22.0	46.9	19.1	8.4
Private	1.3	12.0	37.1	37.7	12.0

TABLE 8.4 DIFFICULTY EXPERIENCED WITH ON-TIME SUBMISSION OF CANCELLATION REQUESTS BY TERMINAL BORROWERS

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	10.7%	44.8%	28.8%	10.9%	4.8%
Universities					
Public	11.8	52.9	26.9	5.0	3.4
Private	8.7	51.0	30.6	7.3	2.4
Four-Year Institutions					
Public	8.3	61.1	26.0	3.7	.9
Private	12.0	45.7	33.3	6.3	2.7
Two-Year Institutions					
Public	11.7	38.5	26.2	15.9	7.8
Private	8.2	20.8	23.3	34.0	13.8

borrowers. Almost 70 percent of the fiscal officers at public four-year institutions indicated considerable or some difficulty with this aspect of the program.

Administering Deferment Provisions

Borrowers are eligible for deferment of their repayment obligation for the period of time that they are students in eligible institutions of higher education, and also for up to three years while serving in the military, Peace Corps, or VISTA.

Fiscal officers were asked how much difficulty they experienced in determining students' eligibility for deferment. As can be seen from Table 8.5, almost three-quarters indicated little or no difficulty in determining eligibility for deferment; 15.1 percent indicated some difficulty, and a mere 1.1 percent reported considerable difficulty. Only minor variations occurred in responses to this item when responses were classified by type and control of institution.

As with teacher cancellation requests, untimely submission of requests for deferment have a deleterious effect on a school's delinquency rate. This is true because students who are eligible for deferment but fail to submit the proper forms are considered delinquent for accounting purposes.

The data in Table 8.6 reveal that 12.4 percent of the institutions in the ETS survey experienced considerable difficulty in receiving requests for deferment when due from borrowers and 49.5 percent experienced some difficulty. Two-year institutions were more likely than other types to report that the item did not apply to them.

TABLE 8.5 DIFFICULTY IN DETERMINING ELIGIBILITY FOR DEFERMENT

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	1.1%	15.1%	73.2%	6.3%	4.4%
Universities					
Public	—	14.7	80.3	2.5	2.5
Private	.5	16.0	73.8	6.8	2.9
Four-Year Institutions					
Public	.9	13.0	82.4	2.8	.9
Private	.8	15.5	76.5	4.7	2.5
Two-Year Institutions					
Public	2.6	15.5	66.7	7.8	7.4
Private	.6	13.8	58.5	15.7	11.3

TABLE 8.6 DIFFICULTY EXPERIENCED WITH ON-TIME SUBMISSION OF REQUESTS FOR DEFERMENT BY TERMINAL BORROWERS

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	12.4%	49.5%	24.5%	8.8%	4.8%
Universities					
Public	15.6	60.1	17.2	3.8	3.4
Private	11.2	51.5	27.7	6.3	3.4
Four-Year Institutions					
Public	13.0	64.8	17.6	3.7	.9
Private	12.0	50.2	29.0	6.1	2.7
Two-Year Institutions					
Public	12.9	45.6	21.7	12.3	7.4
Private	9.4	24.5	28.3	25.2	12.9

Administering Truth-in-Lending Provisions

Under the Truth-in-Lending provisions of the Consumer Credit Protection Act, lenders must make specific statements of disclosure regarding their finance charges. The provisions of this act apply to National Direct Student Loans. At the time a loan commitment is made, the borrower must be informed of the following: the amount of the loan, the anticipated date on which the finance charge begins to accrue, the annual percentage rate prior to the beginning of the repayment period and during the repayment period, the amount financed through the transaction, applicable delinquency and default charges, and provisions for acceleration of payment. In addition, at the time a repayment schedule is executed, the following statements must be made to the borrower: the date on which the finance charge begins to accrue, unpaid balances and the amount financed, finance charge (total interest due during the repayment period), number and amounts of repayments, total payments, due date and frequency of payment, annual percentage rate, applicable delinquency and default charges, and provisions for acceleration of payment.

Institutional fiscal officers were asked how difficult it was for them to comply with the truth-in-lending law as it applies to the National Direct Student Loan Program. As shown in Table 8.7, the majority (79.4 percent) of the responding institutions indicated that compliance posed little or no difficulty. Only slightly more than 10 percent said they encountered some or considerable difficulty in complying. Variations in responses to this item, when classified by type and control of institution, were minor.

TABLE 8.7 DIFFICULTY IN COMPLYING WITH TRUTH-IN-LENDING LAW

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	2.2%	8.2%	79.4%	4.8%	5.5%
Universities					
Public	2.9	10.1	81.5	2.1	3.4
Private	1.5	5.8	84.0	4.9	3.9
Four-Year Institutions					
Public	1.9	8.3	83.3	5.6	.9
Private	3.3	8.8	78.5	5.3	5.0
Two-Year Institutions					
Public	1.0	6.8	78.6	4.5	9.1
Private	1.3	9.4	71.1	6.9	11.3

Administering Monthly Repayments

The act establishing the National Direct Student Loan Program included a provision giving every borrower whose loan was made on or before November 8, 1965, the legal right to a full ten-year period in which to repay the loan in equal annual installments or in graduated periodic installments. Loans made after November 8, 1965, may be repaid in equal installments payable quarterly, bimonthly, or monthly, as the institution decides.

One item on the questionnaire for fiscal officers asked the degree of difficulty encountered in maintaining billing records for borrowers with graduated repayment schedules. Only 3.8 percent of the schools in the study indicated that they encountered considerable difficulty, and only 13.3 percent reported some difficulty with this administrative aspect of the program. Table 8.8 shows that there was no appreciable variation among institutions in their responses to this question. Approximately a third of the institutions in each of the various categories indicated that the item did not apply. This may be due to the fact that these schools entered the National Direct Student Loan Program after 1965 and therefore had no borrowers with graduated repayment schedules.

Administering SEOG-NDSL Fund Transfers

The Higher Education Act of 1965 permitted institutions to use up to 25 percent of the initial year Supplemental Educational Opportunity Grant (SEOG) funds paid to it for the fiscal year as an additional federal capital contribution for the National Direct Student Loan Program. In effect, this allowed the institution the flexibility of transferring 25

TABLE 8.8 DIFFICULTY IN MAINTAINING BILLING RECORDS FOR NDSL BORROWERS WITH GRADUATED REPAYMENT SCHEDULES

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	3.8%	13.3%	44.5%	34.0%	4.5%
Universities					
Public	3.4	12.6	54.2	27.3	2.5
Private	4.9	8.7	49.0	35.4	1.9
Four-Year Institutions					
Public	2.8	19.4	47.2	29.6	.9
Private	3.1	13.3	42.0	38.4	3.3
Two-Year Institutions					
Public	4.9	14.6	40.5	32.7	7.4
Private	4.4	12.6	37.1	34.6	11.3

percent of its SEOG fund to the NDSL Program. Institutions electing to make this transfer were expected to maintain separate accounting records for loans made with transferred SEOG funds.

One of the questions posed to fiscal officers as part of the ETS study asked how much difficulty they experienced maintaining separate accounting records for National Direct Student Loans made with transferred SEOG funds. Their responses to this question are summarized in Table 8.9. Fewer than 5 percent of the fiscal officers reported either considerable or some difficulty with this aspect of the program; 18.5 percent indicated little or no difficulty. Almost three-quarters indicated that the item did not apply to them, which suggests that most institutions did not transfer SEOG funds to the NDSL Program in 1972-73.

Preparing Fiscal Operations Reports

At the close of each fiscal year, institutional financial aid and fiscal officers are required by the United States Office of Education to submit an NDSL Fiscal Operations Report. Comprehensive and detailed, it must be prepared within a fairly constricted time frame.

Fiscal officers were asked to assess the degree of difficulty they experienced in preparing these reports, and about half the institutions reported considerable or some difficulty. The data in Table 8.10 indicate that somewhat higher percentages of public institutions encountered considerable or some difficulty in preparing these reports than did private institutions, perhaps due to larger financial aid populations.

TABLE 8.9 DIFFICULTY IN MAINTAINING SEPARATE ACCOUNTING RECORDS FOR NDSLS MADE WITH TRANSFERRED SEOG FUNDS

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	.9%	3.3%	18.5%	72.2%	5.2%
Universities					
Public	.8	3.4	16.4	76.1	3.4
Private	1.0	1.5	16.5	78.1	2.9
Four-Year Institutions					
Public	.9	2.8	20.4	74.0	1.9
Private	.6	3.5	19.0	73.5	3.5
Two-Year Institutions					
Public	1.3	3.2	20.1	67.0	8.4
Private	.6	4.4	17.6	64.8	12.6

TABLE 8.10 DIFFICULTY IN PREPARING NDSL FISCAL OPERATIONS REPORTS

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	10.5%	40.7%	43.0%	1.2%	4.6%
Universities					
Public	14.7	47.5	34.0	1.3	2.5
Private	13.6	33.5	49.5	.5	2.9
Four-Year Institutions					
Public	12.0	46.3	39.8	---	1.9
Private	8.8	42.0	45.1	1.6	2.5
Two-Year Institutions					
Public	8.1	38.5	44.3	.7	8.4
Private	8.2	37.1	40.9	2.5	11.3

Retaining Staff

When asked about the difficulty they experienced in retaining professional staff responsible for NDSL billing and collection, 56.6 percent of the institutions in the study indicated that they had little or no difficulty in this area, 2.6 percent reported considerable difficulty, and 11.3 percent expressed some difficulty (see Table 8.11). About 25 percent said the item did not apply to them. It is probably true that most of the respondents who checked that the item did not apply were using commercial billing services.

Retention of clerical staff responsible for NDSL billing and collection appears to have been somewhat more of a problem (see Table 8.12). Approximately one respondent in five (19.8 percent) reported considerable or some difficulty in this area. Public institutions of all types appear to have had more difficulty retaining clerical staff than did private institutions.

Maintaining Contact with Borrowers

As shown in Table 8.13, maintaining contact with borrowers between the time they left the institution and the time the first payment was due posed considerable difficulty for 9.6 percent of the institutions and some difficulty for 46.1 percent of the institutions in the ETS study. Public institutions apparently had more difficulty than private institutions; 11.3 percent of the public universities reported considerable difficulty, compared to 4.4 percent of the private universities. Similarly, 10.2 percent of the public four-year institutions compared to 5.9 percent of the private four-year institutions indicated

TABLE 8.11 DIFFICULTY IN RETAINING PROFESSIONAL STAFF RESPONSIBLE FOR NDSL BILLING AND COLLECTION

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	2.6%	11.3%	56.6%	25.1%	4.4%
Universities					
Public	3.4	13.5	63.5	17.2	2.5
Private	1.0	9.7	64.1	22.8	2.4
Four-Year Institutions					
Public	6.5	11.1	57.4	23.2	1.9
Private	2.2	11.4	54.7	28.8	2.9
Two-Year Institutions					
Public	2.9	10.4	51.1	28.5	7.1
Private	.6	12.0	52.8	23.9	10.7

TABLE 8.12 DIFFICULTY IN RETAINING CLERICAL STAFF RESPONSIBLE FOR NDSL BILLING AND COLLECTION

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	4.0%	15.8%	51.6%	24.2%	4.4%
Universities					
Public	5.0	23.1	54.4	10.5	2.9
Private	3.9	12.1	53.4	28.6	1.9
Four-Year Institutions					
Public	9.3	22.2	53.7	13.9	.9
Private	3.7	12.9	50.8	29.4	3.3
Two-Year Institutions					
Public	3.2	16.2	51.1	22.3	7.1
Private	---	13.2	42.1	34.0	10.7

TABLE 8.13 DIFFICULTY IN MAINTAINING CONTACT WITH BORROWERS BETWEEN THE TIME THEY LEAVE INSTITUTION AND THE TIME FIRST PAYMENT IS DUE

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	9.6%	46.1%	35.1%	4.9%	4.2%
Universities					
Public	11.3	46.2	36.6	3.8	2.1
Private	4.4	50.0	37.4	5.8	2.4
Four-Year Institutions					
Public	10.2	55.6	32.4	.9	.9
Private	5.9	41.8	44.7	5.1	2.5
Two-Year Institutions					
Public	17.8	50.8	18.5	5.8	7.1
Private	8.2	39.0	35.2	6.3	11.3

considerable difficulty. Public two-year institutions apparently had the most difficulty maintaining contact with borrowers. Within this group, about two-thirds (68.6 percent) reported considerable or some difficulty.

Locating delinquent borrowers appears to have been a common problem across all institutional types. Table 8.14 reveals that 31.1 percent of all institutions in the study encountered considerable difficulty in locating delinquent borrowers and almost half (49.7 percent) reported some difficulty. Public institutions had more difficulty locating delinquent borrowers than did private institutions.

In 1970 the United States Office of Education announced the availability of a National Defense Loan Skip-Trace Service. To use this service, institutions submitted to the Office of Education IBM punch cards that bore the names and social security numbers of lost NDSL borrowers. The Office of Education used these cards in a computer match with Internal Revenue Service files to extract the borrowers' current addresses. It then forwarded to the institutions lists of the borrowers' names and addresses.

The data in Table 8.15 indicate that 45.1 percent of all institutions in the ETS study did not make use of the skip-trace service. Only 21.9 percent found the service either very effective or fairly effective; 16.6 percent reported that the service was seldom effective.

Contacting delinquent borrowers' parents seems to have been an effective method for locating delinquent borrowers. Of all of the institutions included in the ETS study, 19.2 percent said this method was very effective and 52.7 percent said it was fairly effective. Public

TABLE 8.14 DIFFICULTY IN LOCATING DELINQUENT BORROWERS

Institutional Type	Considerable Difficulty	Some Difficulty	Little or No Difficulty	Does Not Apply	No Response
All Institutions	31.1%	49.7%	9.7%	5.1%	4.4%
Universities					
Public	37.0	51.3	6.7	3.4	1.7
Private	27.7	51.9	11.7	5.3	3.4
Four-Year Institutions					
Public	33.3	56.5	6.5	1.9	1.9
Private	29.2	53.7	11.8	2.9	2.5
Two-Year Institutions					
Public	36.9	43.0	5.8	6.5	7.8
Private	19.5	40.3	15.1	14.5	10.7

TABLE 8.15 EFFECTIVENESS OF FEDERAL SKIP-TRACE SERVICE IN LOCATING DELINQUENT NDSL BORROWERS

Institutional Type	Very Effective	Fairly Effective	Seldom Effective	Not Used	No Response	Totals
All Institutions	4.9%	17.0%	16.6%	45.1%	16.4%	100.0%
Universities						
Public	5.9	26.1	26.5	31.9	9.7	100.0
Private	5.8	20.9	18.9	41.3	13.1	100.0
Four-Year Institutions						
Public	6.5	14.8	18.5	50.9	9.3	100.0
Private	5.3	14.1	14.5	51.6	14.5	100.0
Two-Year Institutions						
Public	3.6	16.2	13.9	46.6	19.7	100.0
Private	2.5	10.7	8.2	43.4	35.2	100.0

two-year institutions were more likely than other types of institutions not to use this particular method; overall, however, public institutions were more likely than private institutions to find it a very effective or fairly effective method (see Table 8.16).

In attempting to locate delinquent borrowers, some institutions work through their alumni offices, which typically maintain mailing lists of alumni. More than one-third (37.6 percent) of the schools in the study reported that the alumni office was either a very effective or a fairly effective resource in locating delinquent NDSL borrowers. Somewhat more than one-quarter (26.9 percent) of the institutions surveyed reported that use of the alumni office was seldom effective, and almost one-quarter (23.2 percent) reported that they did not use this particular method. The data in Table 8.17 reveal that private institutions were more likely than their public counterparts to report that the alumni office was very effective or fairly effective in locating delinquent NDSL borrowers.

Attempting to locate NDSL borrowers through the institution's placement office is a less frequently used method than tracing them through the alumni office. Of the institutions surveyed, 44.1 percent reported that they did not attempt to locate delinquent NDSL borrowers through their placement offices (see Table 8.18). About one-quarter (25.6 percent) reported that utilization of the college placement office was seldom effective in locating delinquent borrowers. Only 16.7 percent reported that the placement office was very or fairly effective for this purpose.

TABLE 8.16 EFFECTIVENESS OF CONTACTING PARENTS OR GUARDIAN TO LOCATE DELIQUENT NDSL BORROWERS

Institutional Type	Very Effective	Fairly Effective	Seldom Effective	Not Used	No Response	Totals
All Institutions	19.2%	52.7%	13.8%	2.9%	11.3%	100.0%
Universities						
Public	21.0	62.2	9.7	2.1	5.0	100.0
Private	15.5	54.4	17.0	4.9	8.3	100.0
Four-Year Institutions						
Public	28.7	51.9	12.0	3.7	3.7	100.0
Private	21.2	54.7	14.1	1.8	8.2	100.0
Two-Year Institutions						
Public	16.2	45.6	16.8	4.9	16.5	100.0
Private	14.5	44.0	11.3	0.6	29.6	100.0

TABLE 8.17 EFFECTIVENESS OF ALUMNI OFFICE IN LOCATING DELINQUENT NDSL BORROWERS

Institutional Type	Very Effective	Fairly Effective	Seldom Effective	Not Used	No Response	Totals
All Institutions	8.3%	29.3%	26.9%	23.2%	12.3%	100.0%
Universities						
Public	5.9	28.6	38.7	21.4	5.5	100.0
Private	12.1	39.8	30.1	10.2	7.8	100.0
Four-Year Institutions						
Public	8.3	27.8	40.7	18.5	4.6	100.0
Private	14.3	43.7	25.7	8.1	8.1	100.0
Two-Year Institutions						
Public	.7	6.5	15.5	58.3	19.0	100.0
Private	3.8	19.5	20.8	23.3	32.7	100.0

TABLE 8.18 EFFECTIVENESS OF COLLEGE PLACEMENT OFFICE IN LOCATING DELINQUENT NDSL BORROWERS

Institutional Type	Very Effective	Fairly Effective	Seldom Effective	Not Used	No Response	Totals
All Institutions	2.4%	14.3%	25.6%	44.1%	13.6%	100.0%
Universities						
Public	1.3	14.7	35.3	42.4	6.3	100.0
Private	2.4	5.3	36.4	46.1	9.7	100.0
Four-Year Institutions						
Public	5.6	19.4	38.9	29.6	6.5	100.0
Private	2.9	18.8	23.9	43.7	10.8	100.0
Two-Year Institutions						
Public	1.3	12.6	13.3	54.1	18.8	100.0
Private	2.5	12.0	17.0	35.9	32.7	100.0

A small proportion of the institutions (9.6 percent) reported that driver's license agencies were very effective or fairly effective in locating delinquent NDSL borrowers (see Table 8.19). Almost two-thirds (66.5 percent) of the schools surveyed reported that they did not use such agencies. Private universities and private four-year institutions were the least likely to use them.

The 1967 NDSL manual suggested that institutions might wish to contact the armed forces in their efforts to locate delinquent NDSL borrowers. As shown in Table 8.20, some 11.5 percent of the institutions surveyed reported that this was a very effective method in locating delinquent borrowers, and 13.5 percent said it was fairly effective. About one-third said the method was seldom effective.

Only 9.4 percent of the fiscal officers surveyed said that contacting the Merchant's Retail Credit Association was a very effective or fairly effective method for locating delinquent borrowers; about two-thirds said they did not use this method at all. The data in Table 8.21 indicate no major variations in the patterns of responses to this item.

Some institutions try to locate delinquent borrowers by contacting schools to which the borrowers' grade transcripts have been sent. Table 8.22 shows that, among the institutions surveyed, 6.3 percent said this was a very effective way to locate delinquent borrowers, and 24.6 percent said it was a fairly effective method. Public institutions were more likely than private institutions to report that the technique was very or fairly effective. More than one-third of the respondents reported they did not use this method at all.

TABLE 8.19 EFFECITVENESS OF DRIVER'S LICENSE AGENCIES IN LOCATING DELINQUENT NDSL BORROWERS

Institutional Type	Very Effective	Fairly Effective	Seldom Effective	Not Used	No Response
All Institutions	1.9%	7.7%	9.8%	66.5%	14.2%
Universities					
Public	4.6	9.2	14.7	63.9	7.6
Private	1.5	5.8	8.3	74.8	9.7
Four-Year Institutions					
Public	3.7	5.6	16.7	64.8	9.3
Private	.4	5.9	8.4	73.9	11.4
Two-Year Institutions					
Public	1.6	12.3	8.4	59.0	18.8
Private	1.3	5.0	7.0	53.5	33.3

TABLE 8.20 EFFECTIVENESS OF ARMED FORCES IN LOCATING DELINQUENT NDSL BORROWERS

Institutional Type	Very Effective	Fairly Effective	Seldom Effective	Not Used	No Response
All Institutions	11.5%	13.5%	34.0%	0.1%	41.0%
Universities					
Public	16.0	18.5	38.7	0.4	26.5
Private	11.2	14.1	41.3	34.0	---
Four-Year Institutions					
Public	13.9	17.6	36.1	32.4	---
Private	14.5	12.7	34.5	38.4	---
Two-Year Institutions					
Public	4.5	11.7	29.5	---	54.4
Private	7.6	15.7	40.3	0.0	100.0

TABLE 8.21 EFFECTIVENESS OF MERCHANT'S RETAIL CREDIT ASSOCIATION IN LOCATING DELINQUENT NDSL BORROWERS

Institutional Type	Very Effective	Fairly Effective	Seldom Effective	Not Used	No Response
All Institutions	1.3%	8.1%	10.7%	65.5%	14.3%
Universities					
Public	2.1	10.1	15.6	66.8	5.5
Private	1.5	7.3	16.5	89.3	100.0
Four-Year Institutions					
Public	---	11.1	9.3	70.4	9.3
Private	1.2	6.3	11.6	69.6	11.2
Two-Year Institutions					
Public	1.0	9.1	7.4	63.4	19.1
Private	1.9	12.0	20.8	64.2	100.0

TABLE 8.22 EFFECTIVENESS OF INSTITUTIONS TO WHICH GRADE TRANSCRIPTS HAVE BEEN SENT IN LOCATING DELINQUENT NDSL BORROWERS

Institutional Type	Very Effective	Fairly Effective	Seldom Effective	Not Used	No Response
All Institutions	6.3%	24.6%	19.9%	34.2%	14.9%
Universities					
Public	7.1	26.9	21.0	38.2	6.7
Private	4.4	18.9	25.2	39.8	11.7
Four-Year Institutions					
Public	8.3	29.6	25.0	29.6	7.4
Private	5.3	24.7	19.2	38.4	12.5
Two-Year Institutions					
Public	7.1	26.9	16.8	29.1	20.1
Private	6.9	20.8	15.7	22.6	34.0

In summary, fiscal officers surveyed reported that the most effective method for locating delinquent NDSL borrowers was contacting their parents. The next most effective way was contacting the alumni office, followed by contacting institutions to which delinquent borrowers had had their grade transcripts sent. The least effective methods appear to have been contacting the college placement office, driver's license agencies, and the retail credit association.

CHAPTER 9

RELATIONSHIPS BETWEEN ADMINISTRATIVE PRACTICES AND ANNUAL INSTITUTIONAL NDSL DEFAULT RATES

The Default Problem

Borrowers who default in their National Direct Student Loan repayments pose a problem that is of concern to the Congress, the United States Office of Education, and the financial aid community. By their failure to repay their loans, delinquent borrowers deny loan funds and thus, to some degree, educational opportunities to successive generations of students, because loan defaults (and associated lost interest revenues) minimize the possibility that the NDSL Program can achieve revolving fund status.

One of the main purposes of this study was to investigate the extent and magnitude of the NDSL default rate. The National Direct Student Loan Program has now been in operation for almost twenty years. As Gale and Moran noted in their unpublished report Collections and Delinquency in the National Defense Student Loan Program: 1958-68, the number of loans advanced under the program increased during the first decade, and the problem of collecting outstanding loans became more complex. As time passes, more borrowers enter the repayment stream and, even if the percentage of delinquent borrowers remains constant, the dollar volume of delinquent accounts rises.

Both the Office of Education and Congress have taken steps to lower the default rate. Program officers and OE regional offices have given and are continuing to give particular attention to the problem of

delinquency in the orientation visits for financial aid personnel as well as during the course of their program reviews. In addition, the default problem has been the topic of a number of Office of Education workshops and seminars. Congress has acted to improve collection efforts by amending certain provisions of the National Defense Education Act. For example, Congress has made provision for NDSL loan funds to be used for routine administrative expenses and for collection costs, has made provision for minimum monthly payments, and has made a provision that allows institutions to assess late charges against borrowers who fail to pay all or any part of their installments when due.[1]

Default Rates

Despite the above-mentioned efforts, the NDSL default rate continues to be of concern. Over the years, the delinquency rate for the National Direct Student Loan Program has been interpreted and computed in a number of different ways. Typically the NDSL cumulative default rate is computed as a ratio of the cumulative amount of delinquent funds to total receivables. Total receivables are defined as the sum of total cash received, principal canceled, payments deferred, and amount delinquent (all cumulative figures). This ratio, when expressed as a percentage, is known as the delinquency or default rate.

Chapter 2 outlined the general methodology for the ETS study. It was noted that data for the study were obtained from two separate

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[1] More recently, the Office of Education has defined "due diligence" more specifically in regulations.

questionnaires. The first, Form I, was completed by institutional financial aid officers and the second, Form II, was sent to institutional fiscal officers. Each institution's default rate was computed from its response to item 30 of the latter questionnaire. This item asked the fiscal officer to enter selected information from the institutional Fiscal Operations Report for the Educational Opportunity Grant, College Work-Study, and National Direct Student Loan programs for fiscal year 1972: (1) loan principal collections for the period July 1, 1971, to June 30, 1972; (2) accounts past due as of June 30, 1972, for 120 days or less and accounts past due for 121 days to one year as of June 30, 1972. The data reported by the institutions were used to compute an annual delinquency rate for each institution in the ETS study. The formula for computing the annual delinquency rate was as follows:

$$\text{Annual delinquency rate} = \frac{\text{Accounts past due one year or less}}{\text{Principal collections for year plus accounts past due one year or less}}$$

It should be noted that annual default or delinquency rates -- rather than rates calculated from cumulative data -- were utilized in the ETS study, because these rates were thought to be more responsive to administrative practices in fiscal 1972, when the data were collected. Annual delinquency rates computed in this manner would typically be somewhat higher than cumulative delinquency rates for two reasons. First, the annual delinquency rate includes amounts in arrears for between 1 and 120 days. In contrast, cumulative delinquency rates typically include only amounts that are delinquent for more than 120 days.

Second, the denominator in the annual delinquency rate formula does not include amounts of principal canceled or deferred. Inclusion of these amounts in the denominator would, of course, lower the default ratios.

After an annual delinquency rate was computed for each institution, distributions of institutional annual delinquency rates were prepared by type and control of institution. From these distributions, median values were determined by type of institution. These values appear in Table 9.1.

TABLE 9.1 MEDIAN ANNUAL INSTITUTIONAL NDSL DEFAULT RATES BY TYPE of INSTITUTION

Type of Institution	Median Annual NDSL Default Rate during FY 1972
All Institutions	13.5%
Universities	
Public	10.9
Private	13.9
Four-Year Institutions	
Public	15.1
Private	11.8
Two-Year Institutions	
Public	24.7
Private	13.9

The data in Table 9.1 reveal that the median annual NDSL default rate for all institutions in the ETS study was 13.5 percent in fiscal year 1972. Public universities had the lowest median annual NDSL default rate (10.9 percent). Public two-year institutions had the worst overall default rate when measured at the median -- almost 25 percent -- suggesting special efforts were needed at these schools to reduce defaults.

Table 9.2 provides additional detail about the distributions of annual default rates by type of institution. Default rate percentiles are also shown in this table; for example, 90 percent of all institutions had default rates in FY 1972 of 38.7 percent or less. Conversely, 10 percent of all institutions had default rates of 38.7 percent or more. Ten percent of the responding schools had default rates of less than 4.6 percent. Particular attention should be paid to the percentiles because, as measures of central tendency, medians mask variability. Inspection of the percentiles suggests that the collection experiences of both two-year private and two-year public institutions were comparably poorer than for other types of institutions.

Administrative Practices and Default Rates

One of the major purposes for undertaking the present study was to analyze the relationships between certain administrative practices and institutional characteristics and institutional delinquency rates. This section presents an analysis of these relationships in an effort to answer a number of questions, such as: What is the relationship between conducting exit interviews and delinquency rate? What is the relationship between using a billing service and delinquency rate? What is the

TABLE 9.2 DISTRIBUTIONS OF ANNUAL NDSL DEFAULT RATES BY TYPE OF INSTITUTION: FY 1972

Default Rate	All Institutions		Universities				Four-Year				Two-Year			
			Public		Private		Public		Private		Public		Private	
	N	Percent	N	Percent	N	Percent	N	Percent	N	Percent	N	Percent	N	Percent
90% - over	7	.6	0	.0	0	.0	1	1.0	1	.2	4	.2	1	1.4
80 - 89	9	.8	1	.5	0	.0	2	2.0	0	0	5	.2	1	1.4
70 - 79	11	.9	1	.5	0	.0	0	0.0	1	.2	6	.3	3	4.1
60 - 69	23	1.9	0	.0	0	.0	3	3.1	4	1.0	13	.6	2	2.7
50 - 59	20	1.7	5	2.4	1	.6	2	2.0	3	.7	5	.2	3	4.1
40 - 49	44	3.7	2	1.0	3	1.8	3	3.1	9	2.1	24	11.5	3	4.1
30 - 39	77	6.6	10	4.7	7	4.1	2	2.0	26	6.3	25	12.0	7	9.6
20 - 29	176	15.0	28	13.4	35	20.7	15	15.3	45	10.9	46	22.1	6	8.2
10 - 19	421	35.9	76	36.4	71	42.0	43	43.9	159	38.7	48	23.1	22	30.1
0 - 9	386	32.9	86	41.1	52	30.8	27	27.6	163	39.7	32	15.4	25	34.2
Mean Rate	18.4%		14.5%		14.9%		19.1%		14.9%		30.3%		22.7%	
Median Rate	13.5%		10.9%		13.9%		15.1%		11.8%		24.7%		13.8%	
Selected Percentiles														
90th	38.7%		28.4%		25.2%		43.1%		30.1%		65.6%		59.1%	
75th	22.4		18.3		20.0		21.1		18.5		41.2		30.3	
50th	13.5		10.9		13.9		15.1		11.8		24.7		13.9	
25th	7.9		6.8		7.9		8.7		7.3		14.1		7.4	
10th	4.6		4.6		4.7		3.8		4.3		7.7		3.7	

relationship between type of institution and delinquency rate? What is the relationship between prohibiting release of grade transcripts and delinquency rate?

After an annual delinquency rate was computed for each institution, a distribution of institutional annual delinquency rates was prepared. Based on this distribution, institutions were classified as having low, intermediate, or high delinquency rates as follows:

Low Delinquency Rate = Institutions with delinquency rates below the 25th percentile (bottom quarter)

Intermediate Delinquency Rate = Institutions with delinquency rates ranging from the 25th to the 75th percentile (middle 50 percent)

High Delinquency Rate = Institutions with rates above the 75th percentile (top quarter)

After each institution had been classified by delinquency rate, responses to selected items in the questionnaire for institutional fiscal officers were cross-tabulated by delinquency category.

For each table, a chi-square value was computed from the frequency distribution to determine the probability that the obtained distribution would occur by chance alone.

Exit Interview and Delinquency Rates

The 1967 manual of policies and procedures for the NDSL Program indicated that the selection of repayment plans should be made at exit interviews with borrowers before they left the institution. The manual stressed the importance of the exit interview, stating that the care with

which it was conducted would determine in large measure the institution's success in collecting repayments.

The major purposes of an exit interview are to indicate the exact amount of the student's total borrowing, to select and record a payment plan, to stress the importance of promptly meeting the schedule obligations, and to make certain the institution has adequate data to enable it to keep in touch with the borrower during the repayment years. The manual encourages institutions to ask borrowers to verify their permanent mailing addresses and to remind them of the obligations of promptly notifying the institutions of any change of address. Institutions are encouraged to hold exit interviews not only to impress upon borrowers the importance of their repayment obligations, but also to collect personal data for use in future tracing of delinquent borrowers.

The findings shown in Table 9.3 underscore the importance of conducting exit interviews with graduating borrowers. Data in the table indicate that more than 96 percent of the institutions in the low delinquency rate group conducted exit interviews with substantially all graduating NDSL borrowers.

Many institutions find it difficult to arrange exit interviews with students who drop out before graduation, because frequently these students leave the schools with little or no advance notice. This observation is substantiated by the data in Table 9.4, which show that only 67.8 percent of the low delinquency rate institutions held exit interviews with most dropouts. Moreover, the data suggest there is a strong and significant relationship between conducting exit interviews with dropouts and delinquency rates. Institutions with low delinquency

rates were more likely to have conducted exit interviews with dropouts than were those with high delinquency rates.

TABLE 9.3 RELATIONSHIP BETWEEN CONDUCTING EXIT INTERVIEWS WITH GRADUATING BORROWERS AND DELINQUENCY RATE

Item: Did your institution conduct exit interviews in 1972-73 with graduating NDSL borrowers?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes, in substantially all cases	96.6%	91.2%	83.9%
Yes, in some cases	3.6	6.3	12.4
No	0.3	1.6	2.2
No response	0.0	0.9	0.6
TOTALS	100.0	100.0	100.0

Chi square = 28.2; $p \leq .001$ with 6 degrees of freedom

TABLE 9.4 RELATIONSHIP BETWEEN CONDUCTING EXIT INTERVIEWS WITH DROPOUTS AND DELINQUENCY RATE

Item: Did your institution conduct exit interviews with 1972-73 with dropouts?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes, in most cases	67.8%	61.8%	51.8%
Yes, in some cases	29.5	31.7	36.9
No	2.4	4.6	6.9
No response	0.3	1.9	4.4
TOTALS	100.0	100.0	100.0

Chi square = 27.9; $p \leq .001$ with 6 degrees of freedom

The 1967 NDSL manual states that exit interviews should be conducted on an individual basis, but institutions with a large number of departing borrowers may find it expedient to precede interviews with group sessions for the purpose of explaining such general matters as the repayment procedures required of all borrowers and the conditions for deferment and cancellation.

The data in the following table indicate no strong or significant relationship between the method of conducting the exit interview and the delinquency rate. There was little difference among institutions when classified by delinquency rate in the percentages that held exit interviews on an individual basis and in group sessions. This finding suggests it is not too important how the exit interview is conducted, so long as it <u>is</u> conducted.

TABLE 9.5 RELATIONSHIP BETWEEN METHOD OF INTERVIEW AND DELINQUENCY RATE

	Delinquency Rate		
Item: How are exit interviews conducted with most NDSL borrowers?	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Individually	76.0%	75.3%	78.8%
In group sessions	21.6	20.7	15.7
Do not conduct exit interviews with most NDSL borrowers	0.0	0.7	0.4
No response	2.4	3.3	5.1
TOTALS	100.0	100.0	100.0

Chi square = 8.9; $p \leq .18$ with 6 degrees of freedom

Fiscal officers were asked if the repayment schedule was discussed during the exit interview. The responses to this question, when classified by delinquency rates, indicate a significant relationship between discussing the repayment schedule during the interview and an institution's annual delinquency rate (see Table 9.6). Institutions with low delinquency rates were more likely to discuss the repayment schedule with most borrowers than were institutions with high delinquency rates.

TABLE 9.6 RELATIONSHIP BETWEEN DISCUSSING REPAYMENT SCHEDULE WITH THE BORROWER AND DELINQUENCY RATE

Item: Is a schedule of repayment discussed during exit interviews?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes, in most cases	97.0%	94.2%	90.1%
No	0.9	1.8	1.5
No response	0.6	1.8	3.6
TOTALS	100.0	100.0	100.0

Chi square = 15.7; $p \leq .02$ with 6 degrees of freedom

Fiscal officers were also asked to indicate whether they felt borrowers gained a thorough understanding of their repayment obligations during the exit interviews. As seen in Table 9.7, of the fiscal officers at institutions with low delinquency rates, 78.1 percent felt that borrowers in most cases did gain a thorough understanding of their repayment obligations. Only 66.8 percent of the fiscal officers at high delinquency rate institutions gave the same response. Thus, it appears

that borrowers' understandings of their repayment obligations are related to delinquency rate. Stated differently, if most borrowers have a thorough understanding of their repayment obligations, the institution is more apt to have a low delinquency rate.

TABLE 9.7 RELATIONSHIP BETWEEN BORROWERS' UNDERSTANDING OF REPAYMENT OBLIGATION AND DELINQUENCY RATE

Item: Do borrowers gain a thorough understanding of repayment obligations in exit interviews?	Delinquency Rate		
	Low (bottom quarter	Intermediate (middle 50 percent)	High (top quarter)
Yes, in most cases	78.1%	72.3%	66.8%
Yes, in some cases	18.5	21.0	24.5
No	2.1	4.7	4.4
No response	1.2	1.9	4.4
TOTALS	100.0	100.0	100.0

Chi square = 16.1; $p \leq .01$ with 6 degrees of freedom

One of the purposes of exit interviews is to gather information from NDSL borrowers before they leave the institution that will assist in future tracing of borrowers' addresses. Two items were included in the questionnaire for institutional fiscal officers to determine whether tracing information was gathered as a part of the exit interview, the type of information gathered, and the relationship between the type of information gathered and delinquency rate.

Table 9.8 shows that, regardless of their delinquency rates, most schools gather information during the exit interview that can be used in the future to trace a borrower. Consequently, there were no statistically significant response patterns to this item when schools were classified by default rate. It should be noted that some schools that conducted exit interviews may have collected tracking information by some other means, such as the most recent financial aid application.

TABLE 9.8 RELATIONSHIP BETWEEN GATHERING INFORMATION TO TRACE BORROWERS AND DELINQUENCY RATE

Item: Are exit interviews used to gather information for future use in tracing borrowers?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	94.5%	91.9%	93.4%
No	4.3	6.0	2.9
No response	1.2	2.1	3.6
TOTALS	100.0	100.0	100.0

Chi square = 8.05; $p \leq .09$ with 4 degrees of freedom

Fiscal officers were asked whether they usually gathered parents' or guardians' addresses during the exit interview. The results of the responses to this question are presented in Table 9.9. It should be noted that the chi-square value is not statistically significant at the .05 level. It appears that there was no relationship between delinquency rate and obtaining the addresses of borrowers' parents during the exit interview.

TABLE 9.9 RELATIONSHIP BETWEEN OBTAINING ADDRESS OF BORROWER'S PARENTS AND DELINQUENCY RATE

Item: Is parents' address gathered during exit interview?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	98.2%	95.6%	94.9%
No	1.8	3.2	2.9
No response	0.0	1.2	2.2
TOTALS	100.0	100.0	100.0

Chi square = 8.3; $p \leq .09$ with 4 degrees of freedom

Fiscal officers were also asked whether they obtained the address at which a borrower could be reached for the first billing. As seen in Table 9.10, regardless of delinquency rate, most schools did collect this information.

TABLE 9.10 RELATIONSHIP BETWEEN OBTAINING BORROWER'S ADDRESS AND DELINQUENCY RATE

Item: Is address obtained at which borrower may be reached for first billing?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	97.6%	96.8%	95.3%
No	2.4	2.5	2.9
No response	0.0	0.7	1.8
TOTALS	100.0	100.0	100.0

Chi square = 6.8; $p \leq .15$ with 4 degrees of freedom

Obtaining the addresses of references given by a borrower seems to bear little relationship to a school's delinquency rate. Table 9.11 indicates that approximately 70 percent of the schools did obtain addresses of references; schools in the high delinquency rate group were even more likely than those with low delinquency rates to obtain addresses of references.

TABLE 9.11 RELATIONSHIP BETWEEN OBTAINING ADDRESSES OF REFERENCES AND DELINQUENCY RATE

	Delinquency Rate		
Item: Are addresses of references obtained?	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	70.5%	67.8%	71.9%
No	28.3	30.6	26.3
No response	1.2	1.6	1.8
TOTALS	100.0	100.0	100.0

Chi square = 2.2; $p \leq .5$ with 4 degrees of freedom

No more than 60.8 percent of the schools in the ETS study obtained addresses of the borrowers' banks in their communities. Table 9.12 reveals no clear pattern among schools' responses to this item when they were classified by delinquency rate.

TABLE 9.12 RELATIONSHIP BETWEEN OBTAINING ADDRESS OF BORROWER'S BANK AND DELINQUENCY RATE

Item: Do you obtain the address of the borrower's bank in his or her home community?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	60.8%	54.1%	57.3%
No	36.2	43.4	39.4
No response	3.0	2.5	3.3
TOTALS	100.0	100.0	100.0

Chi square = 5.0; $p \leq .29$ with 4 degrees of freedom

Approximately two-thirds of the schools in the ETS study did not obtain the address of a borrower's church, but there appears to be no significant relationship between collecting this information and delinquency rate (see Table 9.13).

TABLE 9.13 RELATIONSHIP BETWEEN OBTAINING ADDRESS OF BORROWER'S CHURCH AND DELINQUENCY RATE

Item: Do you obtain the address of the borrower's home church?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	29.2%	26.3%	29.2%
No	66.6	70.1	65.7
No response	4.3	3.7	5.1
TOTALS	100.0	100.0	100.0

Chi square = 2.48; $p \leq .5$ with 4 degrees of freedom

Approximately half of the responding schools obtained the address of a borrower's present employer. Again, the data do not suggest a relationship between obtaining this information and delinquency rate (see Table 9.14).

TABLE 9.14 RELATIONSHIP BETWEEN OBTAINING ADDRESS OF BORROWER'S PRESENT EMPLOYER AND DELINQUENCY RATE

Item: Do you obtain the address of the borrower's present employer?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	50.8%	52.7%	49.3%
No	44.1	41.7	46.0
No response	5.2	5.6	4.7
TOTALS	100.0	100.0	100.0

Chi square = .5; $p \geq .5$ with 4 degrees of freedom

Teacher Cancellation, Deferment, and Delinquency Rate

The National Direct Student Loan Program allows students who are teachers in certain types of schools to cancel portions of their loans. To realize this benefit, however, borrowers who teach must file a request for teacher cancellation form each year with the institution. Borrowers who qualify for the teacher cancellation benefits but do not file the request in a timely fashion are considered, for accounting purposes, to be in arrears. Thus, one would expect schools that encounter difficulties with timely submission of these requests to have somewhat higher delinquency rates than those whose students request cancellation in a timely fashion. Moreover, the administrative arrangement a school uses for

receiving requests for teacher cancellation would be expected to have some relationship to the delinquency rate.

Institutional fiscal officers were asked as part of the ETS study about their administrative arrangements for receiving requests for teacher cancellation. They were asked whether the Request for Partial Cancellation of Loan (RPCL) form was sent at least once a year to all NDSL borrowers, whether this form was sent at least once a year to borrowers who had taught during the preceding year, and whether borrowers were instructed to request the form from the school if they met eligibility requirements. The results of the responses to this item are classified by the schools' delinquency rates and appear in Table 9.15. Inspection of the table indicates a highly significant relationship between the administrative arrangement for receiving cancellation forms and delinquency rate. Schools with low delinquency rates were more likely to send the cancellation form to borrowers who had taught the preceding year; they were almost twice as likely as the high delinquency rate schools to utilize this particular administrative procedure for receiving requests for teacher cancellation. Schools that expected NDSL borrowers to request the cancellation forms were more likely to have higher default rates. These findings suggest that the more effective method for receiving teacher cancellation requests, when measured in terms of delinquency rate, is to send the form only to borrowers who taught the preceding year.

In their questionnaire, fiscal officers were also asked about their administrative procedures for receiving requests for deferment. Like teacher cancellation requests, requests for deferment -- if not submitted

in a timely fashion -- have a deleterious effect on a school's delinquency rate. This is true because students who are eligible for deferment but fail to submit the proper forms are considered delinquent for accounting purposes.

TABLE 9.15 RELATIONSHIP BETWEEN ADMINISTRATIVE ARRANGEMENT FOR RECEIVING TEACHER CANCELLATION REQUESTS AND DELINQUENCY RATE

Item: What administrative arrangement is used for receiving requests for teacher cancellation?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
RPCL sent at least once a year to all terminal NDSL borrowers	13.1%	16.7%	20.8%
RPCL sent at least once a year to borrowers who taught the preceding year	43.5	36.7	23.7
Borrowers instructed to request RPCLs from the school	30.1	34.0	47.4
Other	7.6	8.2	5.1
No response	5.8	4.4	2.9
TOTALS	100.0	100.0	100.0

Chi square = 41.2; $p \leq .001$ with 8 degrees of freedom

The results in Table 9.16 indicate that schools with low delinquency rates were more likely to send the Request for Deferment Form (RDF) at least once a year to all borrowers, or to those borrowers whose payments

had been deferred the preceding year, than were schools in the high delinquency rate category. The latter schools typically did not send this form to any borrowers, but instead relied on the borrowers to request it. These results suggest that schools that took the initiative by sending deferment forms to borrowers were more likely to have lower delinquency rates than schools that expected students to request them.

TABLE 9.16 RELATIONSHIP BETWEEN ADMINISTRATIVE ARRANGEMENT FOR RECEIVING REQUESTS FOR DEFERMENT AND DELINQUENCY RATE

Item: What is the administrative arrangement for receiving requests for deferment?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
RFDs sent at least once a year to all borrowers.	15.2%	17.0%	20.5%
RDFs sent at least once a year to borrowers whose payments were deferred the preceding year	33.7	28.2	20.5
RDFs not automatically sent; borrowers must request them	39.2	45.3	50.5
Other	6.1	6.3	5.5
No response	5.8	3.2	2.9
TOTALS	100.0	100.0	100.0

Chi square = 20.87; $p \leq .008$ with 8 degrees of freedom

Administrative Follow-up Procedures and Delinquency Rates

About half the schools in the ETS study utilized electronic data processing equipment to prepare bills for NDSL borrowers. It would seem reasonable to expect that schools preparing NDSL bills by computer would be more likely to have lower delinquency rates than those that prepared bills manually. The results in Table 9.17 do not support that expectation. The chi square of 9.09 is not statistically significant at the .05 level. Table 9.17 shows that schools in the low delinquency rate category were somewhat more likely to prepare bills manually than were the high delinquency rate institutions, and that high delinquency rate schools were somewhat more likely to use computer billing. These tendencies are not statistically significant, however.

TABLE 9.17 RELATIONSHIP BETWEEN METHOD USED TO PREPARE BILLS AND DELINQUENCY RATE

Item: Are bills for your NDSL borrowers prepared manually or by computer?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Manually	54.1%	45.0%	44.9%
By computer	44.4	52.9	54.0
No response	1.5	2.1	1.1
TOTALS	100.0	100.0	100.0

Chi square = 9.09; $p \leq .06$ with 4 degrees of freedom

Within the past several years a number of commercial firms have developed and marketed services tailored to institutions to assist them in preparing bills for NDSL borrowers. One of the items on the

questionnaire for fiscal officers asked if the school was using a commercial billing service on a regular basis. Inspection of Table 9.18 indicates a highly significant (p less than .001) relationship between use of a commercial billing service and delinquency rate: 27.4 percent of the schools with low delinquency rates used commercial billing services compared to 48.9 percent of the schools with high delinquency rates. One might have expected a reverse finding; that is, because commercial billing services specialize in preparing bills in a timely fashion, it might be assumed that schools using billing services would have had lower delinquency rates. The finding that schools with high delinquency rates were almost twice as likely as schools with low rates to use these billing services could be explained if schools with poorer collection records tended to contract with commercial billing services in an effort to improve their collection records. On the other hand, the finding may represent a feeling on the part of schools using billing services that they have exercised due diligence and therefore pay little further

TABLE 9.18 RELATIONSHIP BETWEEN USING A COMMERCIAL BILLING SERVICE AND DELINQUENCY RATE

Item: Are you using a commercial billing service on a regular basis?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	27.4%	40.4%	48.9%
No	71.7	59.1	51.1
No response	0.9	0.5	0.0
TOTALS	100.0	100.0	100.0

Chi square = 32.13; $p \leq .001$ with 4 degrees of freedom

attention to this phase of loan administration. Neither of these hypotheses can be confirmed nor rejected from the data at hand.

Fiscal officers were also asked how frequently bills were sent to NDSL borrowers; their responses, classified by delinquency rate, appear in Table 9.19. The results of this analysis indicate that there is no significant relationship between delinquency rate and billing frequency, although some trends do seem apparent. Schools with the best collection records (that is, with low delinquency rates) were more likely to send bills on a quarterly basis than were those with poor collection records. About two-thirds of the schools with good collection records billed on a quarterly basis, compared to 60 percent of the schools in the high delinquency rate group. This finding tends to confirm the finding in an unpublished study of NDSL borrowers by Richard Tombaugh that borrowers paying less frequently were more likely to pay on schedule and have lower delinquency rates than those paying more frequently.

TABLE 9.19 RELATIONSHIP BETWEEN FREQUENCY OF BILLING AND DELINQUENCY RATE

Item: How frequently do your NDSL borrowers receive bills?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Monthly	16.1%	20.8%	23.4%
Bimonthly	0.0	1.1	1.1
Quarterly	66.3	64.3	60.6
Other	6.4	6.8	6.9
No response	11.2	7.0	8.0
TOTALS	100.0	100.0	100.0

Chi square = 13.09; $p \leq .11$ with 8 degrees of freedom (not significant)

The 1967 NDSL manual of policies and procedures contains several sample letters that institutions may elect to use to remind delinquent borrowers that they are in arrears. One of the items in the questionnaire for fiscal officers asked how many times delinquent borrowers were reminded before legal action was considered. Their responses, categorized by delinquency rate and reminder frequency, appear in Table 9.20. Schools with low delinquency rates were more apt to send five or more reminders to delinquent borrowers than were schools with high delinquency rates. Among schools with low delinquency rates, 62.3 percent sent five or more reminders.

TABLE 9.20 RELATIONSHIP BETWEEN REMINDER FREQUENCY AND DELINQUENCY RATE

Item: How many times are delinquent borrowers reminded before legal action is considered?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
None	0.0%	0.0%	0.0%
One	0.0	0.4	1.5
Two	1.2	1.9	3.3
Three	16.7	15.2	23.0
Four	13.7	15.8	9.1
Five or more	62.3	61.5	56.2
No delinquent accounts	0.9	0.7	0.4
No response	5.2	4.6	6.6
TOTALS	100.0	100.0	100.0

Chi square = 25.7; $p \leq .01$ with 12 degrees of freedom

A number of schools participating in the NDSL Program turn delinquent accounts over to collection agencies. Some schools use collection agency services for all delinquent accounts, and others turn over only hard-core delinquent accounts. Table 9.21 presents percentage distributions by delinquency rate of the responses to the question about use of outside collection agencies. As the table indicates, schools with high delinquency rates were somewhat less likely to use outside collection agencies for some or all of their delinquent accounts than were schools with lower delinquency rates.

TABLE 9.21 RELATIONSHIP BETWEEN USE OF AN OUTSIDE COLLECTION AGENCY AND DELINQUENCY RATE

Item: Do you use an outside collection agency for delinquent accounts?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes, for all delinquent accounts	21.6%	26.9%	30.2%
Yes, for hard-core delinquencies only	46.6	46.3	35.1
No	31.9	26.8	34.7
No response	0.0	0.0	0.0
TOTALS	100.0	100.0	100.0

Chi square = 14.73; $p \leq .006$ with 4 degrees of freedom

The law governing the National Direct Student Loan Program allows lending institutions to assess penalty fees for loans not paid when due. In the case of a loan that is repayable in monthly installments, an

institution may charge $1 for the first month by which the installment or evidence is late and $2 for each month thereafter. In the case of loans with bimonthly or quarterly repayment intervals, $3 and $6 may be charged, respectively.

The ETS questionnaire asked fiscal officers whether delinquent borrowers were assessed penalty charges. Responses to this item are cross-tabulated by delinquency rate in Table 9.22. The data in this table suggest that there is no statistically significant relationship between delinquency rate and assessment of penalty charges.

TABLE 9.22 RELATIONSHIP BETWEEN ASSESSMENT OF PENALTY CHARGES AND DELINQUENCY RATE

Item: Are delinquent borrowers assessed penalty charges?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	21.9%	23.0%	21.5%
No	75.1	73.7	74.8
No response	3.0	3.3	3.6
TOTALS	100.0	100.0	100.0

Chi square = 0.45; $p \leq .5$ with 4 degrees of freedom

A number of schools participating in the NDSL Program prohibit the release of grade transcripts for delinquent borrowers. Table 9.23 indicates that this action is significantly related to delinquency rate: schools with low delinquency rates were more likely to prohibit release of grade transcripts for delinquent borrowers than were schools with high delinquency rates.

TABLE 9.23 RELATIONSHIP BETWEEN PROHIBITING RELEASE OF GRADE TRANSCRIPTS AND DELINQUENCY RATE

Item: Do you prohibit the release of delinquent borrowers' grade transcripts?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	68.1%	72.9%	61.7%
No	28.3	24.9	36.1
No response	3.6	2.3	2.2
TOTALS	100.0	100.0	100.0

Chi square = 13.4; $p \leq .01$ with 4 degrees of freedom

Fiscal officers were asked if they sent to delinquent borrowers strong letters suggesting that legal action would be taken. Nearly equal percentages of schools in all three delinquency rate categories

TABLE 9.24 RELATION BETWEEN SENDING THREATENING LETTERS AND DELINQUENCY RATE

Item: Are delinquent borrowers sent strong letters that suggest legal action may be taken?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	88.8%	88.8%	85.8%
No	7.3	8.9	12.0
No response	4.0	2.3	2.2
TOTALS	100.0	100.0	100.0

Chi square = 6.5; $p \leq .17$ with 4 degrees of freedom

responded that they did send letters threatening legal action, but there appears to be no significant trend among schools with various delinquency rates. This does not necessarily imply that the threat of legal action is ineffective. Rather, it merely indicates that there were no significant differences among institutions classified by delinquency rate in their frequency of using this procedure.

In addition to asking fiscal officers if they threatened legal action, the questionnaire asked whether they actually turned accounts over to lawyers or collection agencies. As seen in Table 9.25, there were no significant differences among the patterns of responses to this item for schools in the various delinquency groups.

TABLE 9.25 RELATIONSHIP BETWEEN TURNING ACCOUNTS OVER TO A LAWYER OR COLLECTION AGENCY AND DELINQUENCY RATE

Item: Are accounts of delinquent borrowers turned over to a lawyer or collection agency?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	76.0%	77.4%	69.7%
No	21.9	20.1	27.4
No response	2.1	2.5	2.9
TOTALS	100.0	100.0	100.0

Chi square = 6.25; $p \leq .18$ with 4 degrees of freedom

Schools participating in the NDSL Program may, at their option, charge delinquent borrowers costs for collection. Among all the schools in the ETS study, only about one-quarter exercised this option (see

Table 9.26). The practice of charging collection costs does not seem to discriminate between high and low delinquency rate schools.

TABLE 9.26 RELATIONSHIP BETWEEN CHARGING DELINQUENT BORROWERS COSTS FOR COLLECTION AND DELINQUENCY RATE

Item: Are delinquent borrowers routinely charged for the costs of collection?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	26.1%	25.6%	27.7%
No	68.7	68.6	65.7
No response	5.2	5.8	6.6
TOTALS	100.0	100.0	100.0

Chi square = 1.09; $p \leq .5$ with 4 degrees of freedom

The NDSL Program also allows participating schools to permit borrowers to make partial repayments if they face extenuating circumstances. The data in Table 9.27 indicate that 81.8 percent of the responding schools with low delinquency rates, 86 percent of those with intermediate delinquency rates, and 79.6 percent of those with high delinquency rates permitted borrowers to make partial payments. These data, however, show no significant relationships.

The law governing the NDSL Program enables lending institutions to require borrowers to make minimum repayments. Institutions may require payments of principal and interest by the borrower at a rate equal to not less than $30 per month. A majority of participating institutions did require minimum repayments on NDSLs, but there appears to be no significant relationship between this practice and the schools' annual

TABLE 9.27 RELATIONSHIP BETWEEN PERMITTING PARTIAL REPAYMENTS AND DELINQUENCY RATE

Item: Do you permit partial repayments?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	81.8%	86.0%	79.6%
No	10.6	8.1	12.8
Unaware of option	5.5	4.[illegible]	6.2
No response	2.1	1.6	1.5
TOTALS	100.0	100.0	100.0

Chi square = 7.24; $p \leq .30$ with 6 degrees of freedom

delinquency rates. Some 78.7 percent of the schools with low delinquency rates required minimum repayment, compared to 81.8 percent of schools with intermediate rates and 78.5 percent of schools with high rates.

TABLE 9.28 RELATIONSHIP BETWEEN REQUIRING MINIMUM REPAYMENTS AND DELINQUENCY RATE

Item: Do you require minimum repayments on NDSLs?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	78.7%	81.8%	78.5%
No	16.1	14.4	14.6
Unaware of option	0.6	0.7	1.5
No response	4.6	3.2	5.5
TOTALS	100.0	100.0	100.0

Chi square = 5.08 $p > .5$ with 6 degrees of freedom

At the time the ETS survey was conducted, institutions had the option of allowing installment payments to be deferred for a period not to exceed three years while the borrower was enrolled in an institution of higher education for less than half-time study, taking courses creditable toward a degree. About two-thirds of the institutions in the study indicated that they deferred repayment for part-time students. As shown in Table 9.29, however, this seems to have little relationship to delinquency rate. Nearly equal percentages of respondents in the three groups indicated that they allowed deferments for part-time students.

TABLE 9.29 RELATIONSHIP BETWEEN DEFERRING REPAYMENTS FOR PART-TIME STUDENTS AND DELINQUENCY RATE

Item: Do you defer repayments for part-time students?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	65.7%	68.5%	62.8%
No	24.3	23.1	25.9
Unaware of option	6.1	5.1	8.4
No response	4.0	3.3	2.9
TOTALS	100.0	100.0	100.0

Chi square = 5.36; $p \leq .5$ with 6 degrees of freedom

Institutions participating in the NDSL Program may also elect to defer repayment in hardship cases. The data in Table 9.30 show a significant relationship between schools classified by delinquency rates and their responses to this item. Schools with low delinquency rates were slightly more likely to defer repayment in hardship cases than were

TABLE 9.30 RELATIONSHIP BETWEEN DEFERRING REPAYMENTS IN HARDSHIP CASES AND DELINQUENCY RATE

Item: Do you defer repayments in hardship cases?	Delinquency Rate		
	Low (bottom quarter)	Intermediate (middle 50 percent)	High (top quarter)
Yes	69.9%	74.1%	67.2%
No	15.5	15.4	20.4
Unaware of option	8.5	6.7	10.6
No response	6.1	3.9	1.8
TOTALS	100.0	100.0	100.0

Chi square = 14.98; $p \leq .02$ with 6 degrees of freedom

schools with high delinquency rates. It should be noted that almost 11 percent of the schools with high delinquency rates were unaware of this option.

Partial "Effect" of Administrative Practices on Annual Delinquency Rate

The preceding analysis of the relationships between administrative practices and delinquency rates revealed that some practices were significantly related to institutional delinquency rates in 1972-73. However, the order of importance of the various practices as they relate to delinquency rate was not established, and is the subject of the analysis that follows.

In an attempt to determine the relative importance of various administrative practices and their independent relationships with default rate, a forward stepwise regression analysis was undertaken. The dependent variable in the analysis was annual delinquency rate, expressed

as a percentage for each institution in the ETS study. Least-squares parameters were computed for eighteen independent variables. The regression equation and related statistics appear in Table 9.31.

The following conclusions can be drawn on the basis of the data in Table 9.31:

- The F Ratio for the regression was highly significant ($p < .01$).
- Eight of the independent variables had statistically significant regression coefficients.
- The multiple correlation for the independent variables in the regression equation was .42.
- The most powerful single predictor in the battery was being a two-year institution, followed by use of a billing service, being a public institution, and conducting exit interviews with students who drop out of school before completion of their studies.
- The regression coefficient of 9.54 for two-year institutions indicates that the mean annual delinquency rate for schools in this group was 9.54 percent higher than for other types of institutions, after controlling for administrative practices represented in the regressions model.
- Institutions that used commercial billing services had a mean delinquency rate 4.79 percent higher than schools not using billing services, after controlling for other administrative practices represented in the model. This finding lends

TABLE 9.31 REGRESSION COEFFICIENTS AND RELATED STATISTICS FOR THE PREDICTION OF ANNUAL INSTITUTIONAL DELINQUENCY RATE FROM EIGHTEEN INDEPENDENT VARIABLES

Multiple R = .42

F Ratio = 23.84

Independent Variable	Regression Coefficient	Std. Error of Coefficient	Student's t	Contribution to R2
1. Two-year institution	9.54	1.25	7.61**	0.041
2. Used a billing service	4.79	0.96	5.00**	.018
3. Public institution	4.19	1.03	4.07**	.012
4. Had exit interviews with most dropouts	-2.68	0.96	-2.80**	.006
5. Turned delinquent borrowers' accounts over to lawyers or collection agencies	-2.82	1.05	-2.69**	.005
6. Discussed schedule of repayments with most borrowers in exit interviews	-3.95	1.99	-1.98*	.003
7. Monthly billing	2.92	1.12	2.62*	.005
8. Bimonthly billing	12.39	5.09	2.44**	.005
9. University	-1.95	1.09	-1.79	.002
10. Had exit interviews with most graduating borrowers	-2.45	1.71	-1.44	.002

*p < .05
**p < .01

The following variables were dropped from the evaluation because their contribution to R^2 was less than .001.

11. Sent letters to delinquent borrowers threatening legal action
12. Quarterly billing
13. Charged delinquent borrower costs for collection
14. Used a collection agency
15. Assessed penalty charges
16. Prohibited release of grade transcripts if borrower was delinquent.
17. Frequency of sending reminder letters.

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support to the hypothesis that schools experiencing more severe collection problems tended to contract with billing services.

- After controlling for the other variables in the model, the mean annual delinquency rate for public institutions was 4.19 percent higher than the delinquency rate for nonpublic institutions.
- After controlling for the other variables in the model, the mean delinquency rate of schools that conducted exit interviews with most dropouts was 2.68 percent lower than the mean delinquency rate of institutions that did not conduct exit interviews with most dropouts. This finding underscores the importance of having exit interviews with dropouts.

- The mean delinquency rate for schools that turned delinquent borrowers' accounts over to lawyers or collection agencies was 2.82 percent lower than the mean delinquency rate for schools that did not use this practice, after controlling for institutional type and control, and for other administrative practices.
- After controlling for other variables in the model, the mean delinquency rate of schools that discussed repayment schedules with most borrowers in the exit interview was 3.95 percent lower than the mean delinquency rate of schools not using this practice.
- Monthly and bimonthly billing were associated with poorer collection performance (higher delinquency rates) for schools in the study. The mean delinquency rate for schools billing monthly was 2.92 percent higher than the mean delinquency rate for schools using other installment periods. Schools billing on a bimonthly basis had a mean delinquency rate that was more than 12 percent higher than the rate for schools using other methods. These two findings imply that quarterly billing is more effective than either monthly or bimonthly billing.
- The mean delinquency rate for universities was 1.95 percent lower than the rate for other types of institutions, after controlling for other variables in the model.

- The following variables did not have a significant partial "effect" on delinquency rate: sending letters to borrowers threatening legal action, charging delinquent borrowers for costs of collection, using a collection agency, assessing penalty charges for late payments, prohibiting release of grade transcripts for delinquent borrowers, and frequency with which reminder letters were sent.

In summary, it appears that poorer collection experience (i.e., having a high delinquency rate) is associated with being a two-year institution, using a billing service, being a public institution, and billing on a monthly or bimonthly basis. Better collection experience, on the other hand, is associated with having exit interviews with students who are dropping out of school, turning delinquent accounts over to either a lawyer or a collection agency, discussing the schedule of repayments with the borrower as part of the exit interview, being a university, and having exit interviews with graduating borrowers.

CHAPTER 10

SUMMARY FINDINGS

The NDSL Program

The National Direct Student Loan Program has grown in size from $39 million in 1959, when it was established, to over $581.5 million in 1977-78.

The program provides low-interest (3 percent) long-term educational loans to postsecondary students. Funds are allocated to states by the federal government on the basis of enrollment, and to institutions within states on the basis of prorata shares of amounts recommended by regional panels of financial aid administrators.

Data Collection

This study was intended to describe and evaluate seven aspects of the NDSL Program as it was administered in 1972-73: organization of financial aid offices, packaging procedures, problems in selection of recipients, the exit interview, billing and collection procedures, and relationships between administrative practices and default rates.

Separate questionnaires were sent to institutional financial aid officers and to institutional fiscal officers. Response rates were 67 percent for financial aid officers and 70 percent for fiscal officers.

The results of the study are applicable only to the 1972-73 award year, and are not necessarily valid today.

Institutional Organization of NDSL

The administration of federal student aid programs was centralized in one office at 95.6 percent of the responding institutions in 1972-73. Though centralized, this office had other responsibilities at about 60 percent of the institutions surveyed. Two-year institutions were much less likely than other types of institutions to have offices devoted exclusively to financial aid administration.

Only about one-quarter of the respondents indicated that the office responsible for selecting NDSL recipients was also responsible for billing and collection. An exception was private two-year institutions, where almost 42 percent of the respondents reported that the selection, billing, and collection functions were handled by the same office. The majority of institutions in the survey (59.6 percent) billed NDSL borrowers quarterly, but about 20 percent billed on a monthly basis.

Very few institutions (11.4 percent) reported making extensive use of data processing in their financial aid operations for purposes other than NDSL billing and collection. Almost half (47.2 percent), however, had computerized NDSL billing systems in 1972-73.

One index of the organization and potential efficiency of financial aid offices is the extent to which administrative procedures have been developed in written form. Between 40 and 50 percent of the institutions had not developed written procedures for administrative aspects of the NDSL Program, such as packaging aid, clerical steps in processing applications, reviewing need analysis reports, and reviewing applicants' academic credentials.

With regard to staffing, almost three-quarters of the institutions had full-time directors of student financial aid. The average staff, including the director, consisted of 1.8 full-time professional persons, whose mean experience in financial aid was three years. For NDSL billing and collection activities, the average complement was 2.36 full-time equivalent administrative staff and 1.77 full-time equivalent clerical staff.

NDSL Recipient and Packaging Patterns

The ETS survey instrument contained case studies for three hypothetical students: an average student, a disadvantaged student, and an advantaged student.[1] Financial aid administrators were asked to assign a financial aid package to each student after determining their relative financial needs. The results of this exercise suggest that, in 1972-73, 62.2 percent of the institutions would have offered an NDSL to the advantaged student; 83.5 percent of the institutions would have offered an NDSL to the average student; and 73.3 percent would have offered an NDSL to the disadvantaged student.

The disadvantaged student would have received more in grant assistance. The advantaged student would have had the highest proportion of need met with all types of aid; the average student would have had the lowest proportion of need met with an aid package.

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[1] For a detailed description of each case study, see Chapter 4 and Appendix A.

About 60 percent of the institutions surveyed used the CSS need analysis method in 1972-73; about 20 percent used the ACT method.

With respect to prioritizing NDSL applicants, on the average institutions gave this preference to the neediest students, followed by renewal applicants.

Institutional Perceptions of Problems in the Award of NDSLs

The NDSL award process, from the institution's perspective, involves raising the institution's "matching" share of funds; determining students' eligibility; determining which students are dependent on, or independent of, parental support; identifying eligible transfer students; conducting interviews; determining students' financial needs; notifying recipients of their awards; answering correspondence; obtaining loyalty oaths and executing promissory notes; and preparing operations reports required by the U.S. Office of Education.

Over half the institutions surveyed reported some or considerable difficulty in determining which students were indepe t, finding time to conduct interviews, preparing NDSL operations r orts, answering correspondence, and finding time to review need analysis reports. Other administrative aspects were troublesome to less than half the respondents.

The most prominent problem -- determining independence of parental support -- may be less of a problem today in view of the fact that USOE has subsequently developed a clearer definition of criteria for independence. The other problem areas were those that placed competing demands on limited professional staff time.

Almost without exception, financial aid administrators were of the opinion that the NDSL administrative cost allowance should be increased. Aid administrators said that the administrative cost allowance, measured at the median, should be between 5 and 6 percent of the NDSL fund (as opposed to 4 percent).

The Exit Interview

In 1972-73 institutions participating in the NDSL were strongly encouraged to conduct exit interviews with NDSL borrowers to explain the exact amounts of their notes, to select repayment plans, to stress the importance of repayment, and to determine billing addresses. About 86 percent of the institutions surveyed conducted exit interviews in substantially all cases, leaving 14 percent who did not conduct exit interviews, conducted them with only some students, or refused to answer the question. Two-year institutions were less likely than other types to conduct exit interviews. Seventy percent of the institutions reported that, in their opinion, most borrowers left the exit interview with a thorough understanding of their repayment obligations. Discouragingly, about 6 percent of the institutions did not collect either the borrower's parents' or guardian's address, or the billing addresses of the borrowers themselves before they left the institutions.

NDSL Billing and Collection Procedures

Institutions of higher education have at their disposal a variety of options regarding NDSL billing and collection procedures. About three-quarters of the schools in the 1972-73 survey permitted borrowers to make partial repayments; a similar percentage required borrowers with

small notes to make minimum monthly repayments. About 61 percent of the institutions deferred repayment for part-time students, and about 65 percent for full-time students.

With regard to the administrative aspects of handling requests for teacher cancellation, about 15 percent of the institutions sent the Request for Partial Cancellation of Loan (RPCL) form to all NDSL borrowers; almost 31 percent sent it only to those borrowers who had taught the preceding year; and about 37 percent expected past borrowers to request the form. Institutions in the study seemed to handle requests for deferment similarly. Slightly over 15 percent of the schools sent the request for deferment form to all borrowers; about 25 percent sent it only to those borrowers in deferment the preceeding year; and 46 percent expected borrowers to request the deferment form.

More than one-third of the responding institutions used commercial billing services, with private institutions being considerably more likely to use commercial billing services than public institutions. One in five institutions using billing services found them to be very effective in reducing delinquent accounts; about three in five institutions found their billing services to be fairly effective in reducing defaults. More than two-thirds of the schools reported that their billing services cost less than if the institutions prepared their own bills.

Almost 90 percent of the institutions billed borrowers three or more times before considering legal action. Some 9.2 percent of the institutions did not respond to this item, suggesting they either did not consider taking legal action, did not bill borrowers, or did not understand the question. This finding is buttressed by responses to another

item, which revealed that about 83 percent of the institutions threatened legal action but that only two-thirds actually carried through on the threat by turning accounts over to lawyers or collection agencies. Less than two-thirds of the schools prohibited release of grade transcripts for delinquent borrowers, and less than a quarter assessed penalty charges for late payment.

Problems in NDSL Billing and Collection

Institutional fiscal officers were asked which administrative aspects of the NDSL Program posed difficulties. Five administrative aspects of the program posed considerable or some difficulty for more than half of the respondents: (1) locating delinquent borrowers; (2) on-time submission by borrowers of requests for deferment; (3) maintaining contact with borrowers between the time they left school and the time the first payment was due; (4) timely submission by borrowers of teacher cancellation requests; and (5) preparing fiscal operations reports for the government.

Fiscal officers were asked about the effectiveness of several sources in locating delinquent borrowers. They found contacting borrowers' parents to be the most effective method; the alumni office (particularly at private institutions) and institutions to which grade transcripts were sent were also effective. Another significant finding is that almost two-thirds of the institutions did not use the Merchant's Retail Credit Association to locate delinquent borrowers.

Administrative Practices and Default Rates

The median annual institutional default rate in FY 1972 was 13.5 percent; the mean (arithmetic average) rate was 18.4 percent. Public universities and private four-year colleges had the best collection records; their median default rates were 10.9 percent and 11.8 percent, respectively. Public two-year institutions had the worst default rate -- at the median, 24.7 percent; at the mean, 30.3 percent. A noteworthy number of private two year institutions also had poor collection records.

The results of a stepwise regression analysis of eighteen independent variables (representing institutional characteristics and NDSL administrative practices) on institutional default rates resulted in several interesting findings. Poorer collection experience (i.e., having a high delinquency rate in FY 1972) was associated with being a two-year institution, using a billing service, being a public institution, and billing on a monthly or bimonthly basis. A better collection record (lower default rate) was associated with having exit interviews with dropouts, turning delinquent accounts over to a lawyer or collection agency, discussing repayment schedules during the exit interview, being a university, and having exit interviews with graduating borrowers.

APPENDIX A

FORM I

QUESTIONNAIRE FOR
INSTITUTIONAL REPRESENTATIVES

FORM I

Questionnaire for
Institutional Representatives

NDSL

AN EVALUATION OF THE
NATIONAL DEFENSE (DIRECT) STUDENT LOAN PROGRAM

This study is being conducted for the United States Office of Education
by Educational Testing Service, Princeton, New Jersey 08540.

OE FORM 230-1

O.M.B. NO. 51-S73010
APPROVAL EXPIRES: 8/31/73

FOR OFFICE USE ONLY

To be completed by the institutional official who is responsible for coordinating the National Defense Student Loan Program

Name of the institutional representative

Title

Name of the institution

Address of the institution

STREET

CITY STATE ZIP CODE

GENERAL INFORMATION

1. **Does your institution participate in the federal Educational Opportunity Grant Program (EOG)?**

   1 ☐ Yes 2 ☐ No

2. **Does your institution participate in the federal College Work-Study Program (CWSP)?**

   1 ☐ Yes 2 ☐ No

3. **Is the administration of FEDERAL student financial aid programs centralized in one office at your institution?**

   1 ☐ Yes 2 ☐ No

4. **If you marked NO in the preceding item, is your office responsible for administering:**

   a. Educational Opportunity Grants? 1 ☐ Yes 2 ☐ No

   b. College Work-Study Program? 1 ☐ Yes 2 ☐ No

5. **Is the office responsible for selecting NDSL recipients also responsible for:**

	Yes	No
a. Issuing NDSL checks to students?	1 ☐	2 ☐
b. NDSL billing and collection?	1 ☐	2 ☐
c. NDSL accounting?	1 ☐	2 ☐

6. **If your office is not responsible for NDSL collection, are the amounts collected reported systematically to your office?**

   1 ☐ Yes 2 ☐ No 3 ☐ Does not apply. Reason item does not apply:

7. **Within the past year, has your institution or service bureau prepared statistical reports, other than those required by the Office of Education, which describe your financial aid applicants and/or recipients in any of the following ways? For each factor, please mark YES or NO. If you mark NO, please be sure to answer the subsidiary question.**

	Yes	No	If "no", would this information be useful in your evaluation of aid programs? Yes	No
a. Family income	1	2	1	2
b. Financial need	1	2	1	2
c. Unmet need	1	2	1	2
d. Educational level (for example, first year, second year, graduate student, etc.)	1	2	1	2
e. Type of aid package (scholarship only, scholarship-loan combination, etc.)	1	2	1	2
f. Academic ability or achievement	1	2	1	2
g. Amount of aid package	1	2	1	2
h. Race or ethnic background	1	2	1	2
i. Major field of study	1	2	1	2
j. Sex	1	2	1	2

8. **To evaluate your financial aid programs do you use the fiscal-operations reports required by the Office of Education?**

1 Yes 2 No

STAFFING

The following questions are intended to determine the relative experience and stability of the staff for which you are responsible, as well as the adequacy of your personnel complement for administering the NDSLP.

9. **Does your institution have a full-time director of student financial aid programs: that is, one person who devotes nearly all of his or her time to administering aid programs?**

1 Yes 2 No

10. **Does your office regularly perform other work in addition to administering financial aid?**

1 Yes 2 No

11. **How many full-time administrative (professional) persons CURRENTLY on your staff have responsibility for the award of student aid? Include yourself if it is appropriate** Number

12. **Of the number given in item 11, how many have had responsibility for financial aid at your institution or SOME OTHER INSTITUTION for:**

	Number
Less than 1 year	
1 year but less than 2 years	
2 years but less than 3 years	
3 years but less than 4 years	
4 years or more	

13. **Do you use data processing equipment for your financial aid operations for purposes other than billing and collection?**

1 [ ] Yes, extensively 2 [ ] Yes, to some extent 3 [ ] No

14. **Considering the number of students who apply through your office for financial aid, how adequate is the size of your ADMINISTRATIVE (professional) staff?**

1 [ ] More than adequate 3 [ ] Barely adequate

2 [ ] Adequate 4 [ ] Less than adequate

15. **Considering the number of students who apply through your office for financial aid, how adequate is the size of your secretarial and clerical staff?**

1 [ ] More than adequate 3 [ ] Barely adequate

2 [ ] Adequate 4 [ ] Less than adequate

16. **Has your training included any of the following?**

	Yes	No
a. Graduate courses in student financial aid administration	1 [ ]	2 [ ]
b. Attendance at an Office of Education tripartite application workshop	1 [ ]	2 [ ]
c. Attendance at a financial aid workshop sponsored by American College Testing Program, College Scholarship Service, Office of Education, or some other organization	1 [ ]	2 [ ]
d. Graduate courses in counseling	1 [ ]	2 [ ]
e. Course work, undergraduate or graduate, in business administration	1 [ ]	2 [ ]

17. **Does your institution have written procedural guidelines for:**

	Yes	No
a. Packaging various types of aid?	1 [ ]	2 [ ]
b. The clerical steps in processing financial aid applications?	1 [ ]	2 [ ]
c. Reviewing need analysis statements?	1 [ ]	2 [ ]
d. Reviewing applicants' academic credentials?	1 [ ]	2 [ ]
e. Reviewing applicants' qualifications such as leadership, creativity, etc.?	1 [ ]	2 [ ]
f. Criteria for selecting of NDSL recipients, in addition to those in the NDSL Program Manual?	1 [ ]	2 [ ]

SELECTION OF NDSL RECIPIENTS

18. **During the period July 1972 through June 1973, approximately how many students . . .**

a. applied to your office for some type of financial aid?	Unduplicated Number
b. were considered by your office for National Defense Student Loans?	Unduplicated Number
c. at your institution received National Defense Student Loans?	Unduplicated Number

19. **At your institution, what was the usual method for assessing a student's financial need during 1972-73? Check only one.**

1 ☐ American College Testing Program (ACT)

2 ☐ College Scholarship Service (CSS)

3 ☐ Federal income tax

4 ☐ Office of Education – alternate method

5 ☐ Our own method

20. **Does more than one member of the administration or faculty approve each NDSL application before a loan commitment is made?**

1 ☐ Yes, nearly all NDSL applications

2 ☐ Yes, but only complicated or questionable applications

3 ☐ No

21. **Do more than half of the minority financial aid recipients at your institution receive National Defense Student Loans as part of their aid packages?**

1 ☐ Yes 2 ☐ No

22. **Please indicate the degree of difficulty you or your institution experiences with the following administrative aspects of the NDSL Program:**

	Considerable difficulty	Some difficulty	Little or no difficulty
a. Assessing the need of students who are dependent on their parents	1	2	3
b. Determining which students are financially independent of their parents	1	2	3
c. Determining students' eligibility for NDS Loans	1	2	3
d. Identifying transfer applicants who have had NDS Loans at other institutions	1	2	3
e. Raising your institution's share of the NDSL fund	1	2	3
f. Obtaining loyalty oaths from borrowers	1	2	3
g. Preparing NDSL Operations Reports	1	2	3
h. Executing promissory notes	1	2	3
i. Determining when the student unmet provision is applicable	1	2	3
j. Timely notifications of recipients about their awards	1	2	3
k. Finding time to conduct necessary interviews with aid applicants	1	2	3
l. Finding time to review applicants' financial need	1	2	3
m. Answering correspondence from aid applicants in a timely fashion	1	2	3

23. In awarding National Defense Student Loans, some institutions must set priorities due to limited funds. Please rank order the top FOUR student subgroups that receive preference for NDSLs at your institution (1 = first preference; 2 = second preference; 3 = third preference; 4 = fourth preference). For example, if entering freshmen receive first preference for NDSLs you would enter 1 beside that item.

Rank Order Top Four	
.....	Entering freshmen
.....	Renewing upperclass students
.....	First-time upperclass students
.....	Students whose academic performance is better than average
.....	Students who plan to teach
.....	Men
.....	Women
.....	Students with the greatest financial need
.....	Students of minority backgrounds
.....	Needy students who do not qualify for other forms of financial aid
.....	State or local residents

EVALUATION OF THE NDSL PROGRAM

24. In your personal opinion, how much interest do you think terminal borrowers should pay on their National Defense Loans?

1 ☐ less than 3% 3 ☐ 3.1 to 5.0% 5 ☐ 7.1 to 9.0%
2 ☐ 3% 4 ☐ 5.1 to 7.0% 6 ☐ more than 9.0%

25. Were the funds for NDSL at your institution for fiscal 1973 (July 1972 through June 1973) adequate, more than adequate, or less than adequate for your needs?

1 ☐ Adequate 2 ☐ More than adequate 3 ☐ Less than adequate

26. If your NDSL fund for fiscal 1973 was less than adequate, how many NEEDY applicants at your institution were denied NDS Loans because of insufficient funds?

..... Number

27. NOTE: The following question asks what contribution you expect from the parents of pre-freshmen students at four income levels. Assume that each family has no unusual expense, no assets, and pays the standard federal income tax. Assume also that each is neither a business nor a farm family. Consider that each family has two dependent children, only one of whom is about to enter college.

Parents' Net Income	Parents' Contribution
a. $ 5,000?	$ .....
b. $ 7,500?	$ .....
c. $10,000?	$ .....
d. $15,000?	$ .....

CASE STUDIES IN PROCEDURES USED TO PACKAGE FINANCIAL AID

INSTRUCTIONS

In order to study the procedures used by financial aid officers in packaging aid for students, three case studies have been prepared. You are asked to review the cases and decide whether your institution would offer some type of financial assistance to each applicant. For those to whom your institution would normally offer aid, please enter the amount and type. In determining what aid would be offered in each case, apply the criteria and procedures you would normally use for admissible prefreshmen aid applicants. For example, if your institution does not customarily meet the full need of certain categories of students represented among the case studies, this practice should be reflected in the packages you plan.

Pertinent academic and financial facts are provided for each case, except the determination of relative financial need. You are asked to calculate relative need as the difference between the 9-month budget you estimate for a single undergraduate resident at your institution and the estimated total family contribution. If yours is primarily a commuter college, use the budget normally applied to single commuting students.

If your institution is not participating in the College Work-Study or Educational Opportunity Grant Programs, you would of course disregard these sources in planning your packages, as you would any other types of financial aid listed in the questionnaire that are not available at your institution.

In reviewing these case studies, consider the financial situations as uncomplicated; that is, none involve separation or divorce, business or farm ownership, other siblings in college, substantial assets, and so on. In addition, accept the figures given for students' and parents' contributions as accurate reflections of their ability to contribute.

CASE STUDY A

GENERAL DESCRIPTION: This case study represents an average student. Socioeconomically and academically the student is not especially advantaged, nor is he "disadvantaged".

STUDENT'S ACADEMIC ABILITY AND ACHIEVEMENT: Compared with your institution's other entering freshmen, this student's ability and achievement are average.

PARENTS' COMBINED NET INCOME $9,750

NUMBER OF DEPENDENT CHILDREN 3

ESTIMATED PARENTS' CONTRIBUTION $700

STUDENT'S CONTRIBUTION: $400

ESTIMATED TOTAL FAMILY CONTRIBUTION $1,100

ENTER THE 9-MONTH STUDENT BUDGET USED FOR THE 1972-73 ACADEMIC YEAR ..... $ _____

TOTAL FAMILY CONTRIBUTION $1,100

ENTER ESTIMATED FINANCIAL NEED ..... $ _____

Would you offer this student some type of financial aid?

1 ☐ Yes 2 ☐ No

If yes, please mark [X] beside the types of aid you would offer and enter the amounts.

TYPE	AMOUNT
☐ Institutional scholarship or grant	$
☐ Basic Educational Opportunity Grant	$
☐ Supplemental Opportunity Grant	$
☐ Institutional loan	$
☐ National Defense Student Loan	$
☐ Institutional employment	$
☐ Federal College Work-Study employment	$
TOTAL AID	$

If this student also applied for a guaranteed loan, how much would you recommend that he or she receive for the academic year? $ _____

CASE STUDY B

GENERAL DESCRIPTION: This case study represents a "disadvantaged" student. He is "disadvantaged" both academically and socioeconomically.

STUDENT'S ACADEMIC ABILITY AND ACHIEVEMENT: When compared with your institution's other entering freshmen, this student's academic ability and achievement place him in the bottom 25 percent.

PARENTS' COMBINED NET INCOME $1,500		NUMBER OF DEPENDENT CHILDREN 3
ESTIMATED PARENTS' CONTRIBUTION $0	STUDENT'S CONTRIBUTION: $400	ESTIMATED TOTAL FAMILY CONTRIBUTION $400

ENTER THE 9-MONTH STUDENT BUDGET USED FOR THE 1972-73 ACADEMIC YEAR ..... $ ____

TOTAL FAMILY CONTRIBUTION $400

ENTER ESTIMATED FINANCIAL NEED ..... $ ____

Would you offer this student some type of financial aid?

1 ☐ Yes 2 ☐ No

If yes, please mark [X] beside the types of aid you would offer and enter the amounts.

TYPE	AMOUNT
☐ Institutional scholarship or grant	$ ____
☐ Basic Educational Opportunity Grant	$ ____
☐ Supplemental Opportunity Grant	$ ____
☐ Institutional loan	$ ____
☐ National Defense Student Loan	$ ____
☐ Institutional employment	$ ____
☐ Federal College Work-Study employment	$ ____
TOTAL AID	$ ____

If this student also applied for a guaranteed loan, how much would you recommend that he or she receive for the academic year? $ ____

CASE STUDY C

GENERAL DESCRIPTION: Both academically and socioeconomically, this student may be considered to be advantaged.

STUDENT'S ACADEMIC ABILITY AND ACHIEVEMENT: Compared with other entering freshmen at your institution, this student's academic ability and achievement would place him in the top 5 percent.

PARENTS' COMBINED NET INCOME	$12,000			NUMBER OF DEPENDENT CHILDREN	3
ESTIMATED PARENTS' CONTRIBUTION	$1,120	STUDENT'S CONTRIBUTION: $400		ESTIMATED TOTAL FAMILY CONTRIBUTION	$1,520

ENTER THE 9-MONTH STUDENT BUDGET USED FOR THE 1972-73 ACADEMIC YEAR ..... $

TOTAL FAMILY CONTRIBUTION $1,520

ENTER ESTIMATED FINANCIAL NEED ..... $

Would you offer this student some type of financial aid?

1 [ ] Yes 2 [ ] No

If yes, please mark [X] beside the types of aid you would offer and enter the amounts.

TYPE	AMOUNT
[ ] Institutional scholarship or grant	$
[ ] Basic Educational Opportunity Grant	$
[ ] Supplemental Opportunity Grant	$
[ ] Institutional loan	$
[ ] National Defense Student Loan	$
[ ] Institutional employment	$
[ ] Federal College Work-Study employment	$
TOTAL AID	$

If this student also applied for a guaranteed loan, how much would you recommend that he or she receive for the academic year? ..... $

Thank you for your cooperation. Please staple and mail this booklet. No postage is required.

11

STAPLE HERE

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FIRST CLASS
Permit No. 89
Princeton, N. J.

BUSINESS REPLY MAIL
NO POSTAGE STAMP NECESSARY IF MAILED IN THE UNITED STATES

POSTAGE WILL BE PAID BY

Financial Aid Studies and Programs
Educational Testing Service
Princeton, New Jersey 08540

PJ 635-01

APPENDIX B

FORM II

QUESTIONNAIRE FOR
INSTITUTIONAL FISCAL OFFICERS

FORM II

Questionnaire for
Institutional Fiscal Officers

NDSL

AN EVALUATION OF THE
NATIONAL DEFENSE (DIRECT) STUDENT LOAN PROGRAM

This study is being conducted for the United States Office of Education
by Educational Testing Service, Princeton, New Jersey 08540.

OE FORM 230-2

O.M.B. NO. 51-S73010
APPROVAL EXPIRES: 8/31/73

FOR OFFICE USE ONLY

INSTRUCTIONS

This questionnaire applies only to institutions that have terminal NDSL borrowers. A terminal NDSL borrower is defined as a past NDSL recipient who has ceased at least part-time study at your institution. If your institution has had no terminal NDSL borrowers, check here ( ) and return the questionnaire. Otherwise, please have the official responsible for exit interviews complete Section A. Sections B and C should be completed by the institutional official responsible for coordinating NDSL billing and collection. Sections B and C should be completed, even if your institution uses a billing service for substantially all NDSL accounts.

Name and title of person who is completing Section A .....

NAME TITLE

Name and title of person who is completing Sections B and C .....

NAME TITLE

Name of Institution .....

Address of Institution .....

STREET

.....

CITY STATE ZIP CODE

SECTION A—The Exit Interview

1. Did your institution conduct exit interviews in 1972-73 with graduating NDSL borrowers?

1 ☐ Yes, in substantially all cases 2 ☐ Yes, in some cases

3 ☐ No (If no, skip to question 8)

2. Did your institution conduct exit interviews in 1972-73 with NDSL borrowers who left before completion of their program or who were dropping out?

1 ☐ Yes, in most cases 2 ☐ Yes, in some cases 3 ☐ No

3. Approximately how many NDSL borrowers graduated or otherwise terminated their studies at your institution during the 1972-73 academic year? .....

(a) Of this number, approximately how many left without an exit interview? .....

4. How are exit interviews conducted with most NDSL borrowers? (Check only one)

1 ☐ Individually 2 ☐ In group sessions

3 ☐ This institution does not conduct exit interviews with most NDSL borrowers.

5. Is a schedule of repayments discussed with the borrower during the interview?

1 ☐ Yes, in most cases 2 ☐ Yes, in some cases 3 ☐ No

6. Has it been your experience that NDSL borrowers gain a thorough understanding of their repayment obligations from the exit interview?

1 ☐ Yes, in most cases 2 ☐ Yes, in some cases 3 ☐ No

7. Is the exit interview used to gather information for future use in tracing a borrower's address?

1 ☐ Yes 2 ☐ No

8. Do you usually gather the following information from a terminal NDSL borrower before he leaves your institution?

	Yes	No
a. His parents' or guardian's address	1 ☐	2 ☐
b. The address at which the borrower may be reached for his first billing	1 ☐	2 ☐
c. The addresses of references he has given	1 ☐	2 ☐
d. The address of the borrower's bank in his home community	1 ☐	2 ☐
e. The address of his church in his home community	1 ☐	2 ☐
f. Address of present employer	1 ☐	2 ☐
g. Other. Specify		

SECTION B—NDSL Billing and Collection

INSTRUCTIONS

The following questions apply to *all* institutions, regardless of participation in a commercial billing service. If your institution uses a commercial billing service, answer questions 11 and 12, in terms of the institutional staff required for transmitting data to the service, monitoring reports received from the service, follow-up on delinquent accounts, and so on.

9. Are bills for your NDSL borrowers prepared manually or by computer?

1 ☐ Manually 2 ☐ By computer

10. How frequently does your institution or billing service send bills to most NDSL borrowers who have left your institution since November 1965?

1 ☐ Monthly 2 ☐ Bimonthly 3 ☐ Quarterly 4 ☐ Other

11. How many persons on the administrative (professional) staff at your institution devote all or some of their time to NDSL billing and collection?

	Number
Full-time	
Less than full-time, but more than half-time	
Half-time	
One-quarter time	

Considering the number of your terminal NDSL accounts, how adequate is the size of your administrative (professional) staff responsible for NDSL billing and collection?

1 ☐ More than adequate 3 ☐ Barely adequate

2 ☐ Adequate 4 ☐ Less than adequate

12. How many clerical and secretarial staff members at your institution devote all or some of their time to NDSL billing and collection?

	Number
Full-time	
Less than full-time, but more than half-time	
Half-time	
One-quarter time	

Considering the number of your terminal NDSL accounts, how adequate is the size of your clerical and secretarial staff responsible for NDSL billing and collection?

1 ☐ More than adequate 3 ☐ Barely adequate

2 ☐ Adequate 4 ☐ Less than adequate

13. Approximately what percentage of your institution's TOTAL annual NDSL administrative costs are covered by the administrative allowance the government permits you to withdraw from the NDSL fund?

1 ☐ None. We do not use this option.
2 ☐ 1 to 10%
3 ☐ 11 to 20%
4 ☐ 21 to 30%
5 ☐ 31 to 40%
6 ☐ 41 to 50%
7 ☐ 51 to 75%
8 ☐ 76 to 100%
9 ☐ over 100%

14. In your opinion should the 3 percent annual NDSL administrative allowance be increased?

1 ☐ Yes 2 ☐ No 3 ☐ Hard to say

If "yes", answer question 15. Otherwise, go on to question 16.

---

15. What percentage of the total amount of NDSLs made during the fiscal year do you think institutions should be permitted to charge for routine administrative expenses?

1 ☐ 4% 4 ☐ 7% 7 ☐ 10%

2 ☐ 5% 5 ☐ 8% 8 ☐ more than 10%

3 ☐ 6% 6 ☐ 9%

16. What is the primary administrative arrangement used by your institution or billing service for receiving teacher cancellation forms from NDSL borrowers? (Check only one)

1 ☐ The Request for Partial Cancellation of Loan form is sent at least once a year to all terminal NDSL borrowers whose addresses are known.

2 ☐ At least once a year the Request for Partial Cancellation of Loan form is sent to borrowers who were teachers the preceding year or who indicated at graduation their intention to teach.

3 ☐ The Request for Partial Cancellation of Loan forms are not automatically sent to any borrowers. Terminal borrowers are instructed that if they meet stated eligibility requirements for "full-time teachers," they may request a form.

4 ☐ Other. Specify. .....

.....

.....

17. What is the primary administrative arrangement used by your institution or billing service for receiving requests for deferment of NDSL payments? (Check only one)

1 ☐ A Request for Deferment form is sent at least once a year to all terminal NDSL borrowers whose addresses are known.

2 ☐ A Request for Deferment form is sent at least once a year to borrowers whose payments were deferred during the preceding year or who indicated at graduation that they will be eligible for deferment.

3 ☐ Request for Deferment forms are not automatically sent to any borrowers. Terminal borrowers are instructed to request the form if they meet the eligibility requirements.

4 ☐ Other. Specify. .....

.....

.....

18. How many times are your DELINQUENT NDSL borrowers normally reminded before legal action is considered?

0 ☐ None
1 ☐ One
2 ☐ Two
3 ☐ Three
4 ☐ Four
5 ☐ Five or more
6 ☐ We have no delinquent accounts.

19. After what period of time do you think institutions should be allowed to "write-off" delinquent NDSL accounts as uncollectable?

1 ☐ Six months or less
2 ☐ Twelve months
3 ☐ Eighteen months
4 ☐ Twenty-four months
5 ☐ Thirty-six months
6 ☐ More than thirty-six months

20. With regard to your borrowers who are delinquent in repaying NDS Loans

	Yes	No
a. Are penalty charges assessed?	1 ☐	2 ☐
b. Do you prohibit release of their transcripts?	1 ☐	2 ☐
c. Are strong letters written which suggest that legal action may be taken?	1 ☐	2 ☐
d. Are accounts turned over to either a lawyer or a collection agency?	1 ☐	2 ☐
e. Are borrowers routinely charged for the cost of collecting their delinquent payments?	1 ☐	2 ☐

21. Does your institution or billing agency

	Yes	No	I was unaware of this option
a. Permit repayments less than the amount due (partial payment)?	1 ☐	2 ☐	3 ☐
b. Require minimum repayments on NDS Loans?	1 ☐	2 ☐	3 ☐
c. Defer the principal payments of previous borrowers who are part-time students?	1 ☐	2 ☐	3 ☐
d. Defer principal and interest for hardship cases?	1 ☐	2 ☐	3 ☐

22. In locating delinquent NDSL borrowers, how effective have you found the following?

	Very effective	Fairly effective	Seldom effective	We do not use this means
a. Federal NDSL Skip-Trace Service	1 ☐	2 ☐	3 ☐	4 ☐
b. Borrower's parents or guardian	1 ☐	2 ☐	3 ☐	4 ☐
c. Alumni office	1 ☐	2 ☐	3 ☐	4 ☐
d. College placement office	1 ☐	2 ☐	3 ☐	4 ☐
e. Driver's license agencies	1 ☐	2 ☐	3 ☐	4 ☐
f. Armed Forces	1 ☐	2 ☐	3 ☐	4 ☐
g. Merchants' retail credit association	1 ☐	2 ☐	3 ☐	4 ☐
h. Institutions to which grade transcripts have been sent	1 ☐	2 ☐	3 ☐	4 ☐
i. Other very effective sources. Specify				

23. Are you presently using a commercial billing service on a regular basis?

1 ☐ Yes 2 ☐ No

If "no," go on to question 26. Otherwise, answer questions 24 and 25.

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24. As the user of a commercial billing service, what is your opinion of its relative cost?

1 ☐ The service costs more than it would cost for our institution to perform the same functions.

2 ☐ The service costs about the same as it would cost for our institution to perform the same functions.

3 ☐ The service costs less than it would cost for our institution to perform the same functions.

25. How effective has the commercial BILLING SERVICE been in reducing the number and amount of delinquent accounts?

1 ☐ Very effective 2 ☐ Fairly effective 3 ☐ Not very effective

26. Are you using an outside collection agency for delinquent NDSL accounts?

1 ☐ Yes, for all delinquent accounts

2 ☐ Yes, for hard-core delinquencies only

3 ☐ No

If "no", go on to question 29. Otherwise, answer questions 27 and 28.

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27. As the user of a COLLECTION AGENCY, what is your opinion of its relative cost?

1 ☐ The service costs more than it would cost for our institution to perform the same functions.

2 ☐ The service costs about the same as it would cost for our institution to perform the same functions.

3 ☐ The service costs less than it would cost for our institution to perform the same functions.

28. How effective is the use of a collection agency in reducing the number and amount of delinquent NDSL accounts?

1 ☐ Very effective 2 ☐ Fairly effective 3 ☐ Not very effective

SECTION C—Identification of Problem Areas in Fiscal Administration of the NDSL Program

29. Please indicate the degree of difficulty your institution has with the following aspects of the NDSL Program.

	Considerable difficulty	Some difficulty	Little or no difficulty	Does not apply
a. Locating delinquent borrowers	1 ☐	2 ☐	3 ☐	4 ☐
b. Preparation of NDSL fiscal operations reports	1 ☐	2 ☐	3 ☐	4 ☐
c. Retention of administrative (professional) personnel responsible for supervising NDSL billing and collection	1 ☐	2 ☐	3 ☐	4 ☐
d. Retention of clerical or secretarial personnel responsible for NDSL billing and collection	1 ☐	2 ☐	3 ☐	4 ☐
e. Maintaining contact with terminal borrowers between the time they leave your institution and the time the first payment is due	1 ☐	2 ☐	3 ☐	4 ☐
f. Determining eligibility for deferment	1 ☐	2 ☐	3 ☐	4 ☐
g. Determining eligibility for teacher cancellation	1 ☐	2 ☐	3 ☐	4 ☐
h. Determining the amounts of principal and interest to be cancelled for teachers of disadvantaged children	1 ☐	2 ☐	3 ☐	4 ☐
i. Maintaining separate accounting records for NDS Loans made with transferred Educational Opportunity Grant funds	1 ☐	2 ☐	3 ☐	4 ☐
j. On-time submission of cancellation requests by terminal borrowers	1 ☐	2 ☐	3 ☐	4 ☐
k. On-time submission of requests for deferment by terminal borrowers	1 ☐	2 ☐	3 ☐	4 ☐
l. Maintaining billing records for those terminal NDSL borrowers with graduated repayment schedules	1 ☐	2 ☐	3 ☐	4 ☐
m. Maintaining records to allow postponement of installments in anticipation of cancellation	1 ☐	2 ☐	3 ☐	4 ☐
n. Complying with the truth-in-lending law	1 ☐	2 ☐	3 ☐	4 ☐

30. Please enter the following information from the Institutional Fiscal-Operations report for the Educational Opportunity Grants, College Work-Study, and National Defense Student Loan Programs for fiscal year 1972 (July 1, 1971-June 30, 1972):

a. Loan principal collections for period July 1, 1971-June 30, 1972 (transfer entry from Part II, Section A, line 4.1)..... $.....

b. Accounts past due as of June 30, 1972 (transfer entires from Part II, Section D):

	Unduplicated Borrowers	Amount
Line (1) 120 days or less.....	.....	$ .....
Line (2) 121 [illegible] year.....	.....	$ .....
Line (9) To[illegible] Past Due.....	.....	$ .....

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